

Ask SCORE

ACCURACY IS ESSENTIAL IN SMALL BUSINESS VALUATIONS

When you first contemplated becoming an entrepreneur, you probably spent some time calculating how much your time was worth. Now, you may be wondering how much this business that you've built is worth.

There are many reasons for determining the value of your small business. You may be ready to raise capital by issuing stock or selling a portion of the business to a prospective partner. An appraisal may also be needed in order to spin off a portion of your business, settle a dispute or divorce, liquidate some assets, or sell the business entirely.

Accurately valuing a small business, however, can be complicated. Most entrepreneurs are capable of boosting the value of their businesses by 40 percent simply by paying attention to the things that make a business valuable.

Too often, business owners brush aside valuations, believing them necessary only if they decide to sell. As a result, only about one in 20 small businesses have done a formal valuation, according to the National Association of Certified Valuation Analysts.

You can determine the value of a business in many different ways, from quick and inexpensive software-based calculations you do yourself, to full-scale, certified valuations by professionals. The price range is enormous, from as little as \$15 for the simplest software, to thousands for a detailed analysis

performed by certified pros. Business brokers, hoping to sell your business, may even do them for free.

Try to match the person or method you use for a valuation with the reason you are doing it. If the valuation is for loan purposes, for example, look for someone who's done small business valuations for that purpose.

The National Association of Certified Valuation Analysts (NACVA) offers a free service online to help you find a business valuation expert in your area. Look for the "Value of Your Business?" at Web site, www.nacva.com. You'll also find links to other business valuation data resources and services.

PriceYourBusiness.com offers simple, online small business valuation software that allows business owners to determine their highest business worth quickly, accurately and at their convenience. The company also offers consulting services to help small business owners with a wide range of financial issues.

To learn more about valuing your small business, contact SCORE "Counselors to America's small Business." SCORE is a nonprofit organization of more than 10,500 volunteer business counselors who provide free, confidential business counseling and training workshops to small business owners. Call 610.327.2673 for the Pottstown SCORE office, or find a counselor online at www.pottstownscores.org.

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