

What every business owner needs to know about selling their business: Part 1

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Thank you for your time and desire to better understand how to sell your business. This brief article was prepared in no nonsense language---for business owners---by a business owner. As a CPA and founder of several small businesses including a successful business valuation firm and a transaction advisory firm, I thought it would be helpful for business owners to understand the basic landscape of selling a small business.

First things first

During the course of my twenty plus years of business ownership it has become apparent to me that most business owners do not have a good understanding of the value of their biggest asset—their privately owned business. This might be inconsequential in the early years of the business life cycle. But as the business matures and the owner begins contemplating an exit strategy the need to know the value of your business becomes paramount. In fact, valuing your business (or commissioning the services of a professional valuator) should be the initial step in your succession plan. After all you would not likely try to sell your house, car, etc. without first knowing the value.

Not All Valuations are Created Equal

You will find that the term business valuation is loosely used to say the least. For example, many business brokerage firms offer a “free valuation” to would be customers. In my experience some firms are adept at providing a “rough” potential selling price for a business. Others not so much. If you do have your business valued by a broker ensure the preparer has the credentials synonymous with business brokerage e.g., Certified Business Intermediary “CBI” or Certified Merger & Acquisition Advisor “CM&AA.” The better option for a business valuation is to commission a certified valuation. Business appraisers prepare certified business valuations---these unique professionals are equipped with the necessary education, training, and experience necessary to accurately value a business. Arguably, the two most familiar valuation credentials are the “CVA” or Certified Valuation Analyst and the Accredited Senior Appraiser or “ASA.” A valuation prepared by a veteran CVA, or ASA can literally be “taken to the bank.”