



# THE NAVIGATOR

With 100 plus years of service, Calhoun Companies will help navigate the process of buying or selling a business.

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**Serving the upper midwest**  
since 1908.

The buying or selling of businesses is serious business that involves many steps and complexities.

An experienced guide can make all the difference for business owners who want to maximize their business investments. Such a guide takes care in understanding your needs, explaining the process, finding the best options, and handling the details. Such a guide helps deliver optimal results.

Such a guide makes your business life easier.

Calhoun Companies is that experienced guide.

For over 100 years, Calhoun Companies has helped small- to medium-sized businesses leverage their assets and realize their goals through its business brokerage and commercial real estate services.

[www.calhouncompanies.com](http://www.calhouncompanies.com)

## Compliments of Gary Johnson, CBI

### Valuing Your Business

*As a business owner considers placing his or her company on the market, ascertaining the proper value for the company is critical. Too often the owner assigns an unrealistic and unachievable arbitrary value then proceeds into the sale process only to be disappointed with the market's response. As a result, the asking price is reduced several times. During this unfortunate period buyer prospects and valuable time is lost.*

*In truth, a company's value is determined by a compilation of factors such as the company's sales, earnings, performance, market outlook, personnel, net book value and fair market replacement value of equivalent operating assets. But it can also be influenced by intangible assets like the company's image, reputation and goodwill. There are several approaches to valuing your business.*

#### **BALANCE SHEET VALUE**

*There are several balance sheet valuation methods, including adjusted book value, book value and liquidation value. The adjusted book value is determined by revising the asset's book value to reflect the cost it would take to replace the assets in their current condition. This method requires the total values to be offset against the sum of the liabilities.*

*The book value considers the figures from the company's financial records, as depreciated at the time of the sale. The book value can pose some difficulties for sellers, particularly if the seller has depreciated the assets too much to gain prior tax advantages.*

*The liquidation value is the amount that could be realized if all assets – equipment, furnishings and inventory- were sold separately. This value is typically much lower since it doesn't consider a company's intrinsic value.*

*The income approach takes into consideration the company's level of earnings using a cap methods are frequently used. Each method requires a level of earnings and a conversion factor to translate the earnings into a company value. Selecting the proper level of earnings – after-tax, pretax, discretionary or cash flow – and matching it with the proper conversion factor-discount rate, cap rate or a multiplier- is critical to calculating a reasonable value.*

#### **MARKET APPROACH**

*The market approach sets a value based on the values of other businesses that have been sold. Setting the market value involves researching the sale prices for similar businesses in a geographic area. In some cases, however, finding a company that is similar in many ways to your company may be difficult.*

*Whatever your goal, you want a good advisor to help you assess the value of your company. Question your advisor on the effects of deal structure and how multiples are used. A business owner should never accept a computer-generated valuation or a one-size-fits-all approach when selling the business. And don't be impressed by the person who presents the highest value – you may only be setting yourself up for failure during the sale process.*

*The International Business Brokers Association is the largest international, non-profit association operating exclusively for the benefit of people and firms engaged in the various aspects of a business brokerage and mergers and acquisitions. IBBA has 1,950 members worldwide, with corporate headquarters in Chicago, Illinois.*

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#### **INCOME APPROACH**



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Thinking about buying or selling a business? You can explore the database of businesses on the web site of Calhoun Companies.

Without divulging business identities, the database allows you to search for a wide variety of businesses for sale by SIC code, size, or geography and to find basic information about them.

You also can learn more about Calhoun Companies.

[www.calhouncompanies.com](http://www.calhouncompanies.com)

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## Who pay income taxes in this Country?

*Small businesses are one of the drivers of employment growth in our economy. Small business owners also pay very high personal income taxes. While large businesses pay corporate income taxes, most small business owners pay taxes at a personal level.*

### ***Who pays the income taxes in this country?***

*IRS data from 2006 has the following breakdown:*

- The top 1% of earners paid 39.9% of all federal income taxes.*
- The top 5% paid 60.1%*
- The top 50% paid 97% of all federal income taxes.*

*Small business owners pay a great deal of income taxes, even though much of that income remains in the business for future growth. As we look to small business to provide employment growth, lets hope Congress leaves them with the resources to do so.*