

This is not intended to represent a professional business valuation. A professional appraiser should determine the value of the business.

The valuation amount(s) that will be generated with this information represent estimates of the value of the business for the purpose of estimating the funding amounts necessary for covering estate taxes or funding a buy/sell agreement. **The values computed are, at best, only rough estimates and are not intended to be a substitute for a thorough professional appraisal.**

Business Name _____

Book Value	\$	Book Value = Total Assets – Intangible Assets – Current Liabilities – Any Long-term Liabilities and Equity Issues that Have a Prior Claim. All assets should be valued at their fair market value and not the income tax depreciated value.
Average Annual Earnings	\$	Average annual earnings are assumed to be gross profits minus expenses and taxes.
Excess Owner Salary	\$	The difference in the owner's salary and a salary that would be paid to someone to perform all of the non-owner employee duties of the owner.
Capitalization Rate	%	Rates should reflect the risks of this business. Examples: Well-established for many years, successor management in place, very sound financially may use 12 – 15%; most, but not all of the above qualities, 15 – 20%; some of these qualities, but more established than the next type, 20 – 25%; and businesses just started, only employee is owner, or business based on owner, 25 – 30%.
Fair Rate of Return	%	If the value of the assets were invested today, what rate of return would you expect?
Goodwill Multiplier	Years	Number of years that a company's current relationship with the public would influence receipt of income. A well-established business may have as many as 5 years.
Annual Growth Rate	%	Growth rate of the company – typically it is higher than the Fair Rate of Return.
Forecast Future Earnings	Years	Number of years to forecast future earnings. Typically, the years entered will equal those entered in Goodwill Multiplier.
Discount Future Earnings	%	Rate used to determine today's value of each year's future earnings. This rate should reflect the rate expected for comparable investment opportunities with similar risk.
Discount for Lack of Marketability	%	The limited number of potential buyers reduces the marketability of the business. This rate results in a discount for the underlying value of the business. A typical rate would be from 10 to 20%. (Total discounts due to all factors typically do not exceed 35 – 40%.)
Discount for Lack of Control	%	The management limitations and the lack of control of the business reduce its marketability. This rate results in a discount for the underlying value of the business. A typical rate would be from 10 to 20%. (Total discounts due to all factors typically do not exceed 35 – 40%.)