

Business value diagnostic tool



Prepared for: _____

Prepared by: _____



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How Will Your Business Be Valued?

Use this form to help understand the importance of knowing what your business is worth for an estate and business planning needs assessment. The tool does not determine a specific value of your business, but provides insight into three common “values” business owners typically place on their businesses. This is not a substitute for a qualified appraisal from an accredited valuation professional. Your financial professional can help you interpret the results.

1 Owner's estimated business value	
How much does the owner estimate the business is worth today?	\$

2a Benefits derived by the owner from the business	
How much personal value does the business owner realize from the business in the form of compensation and other benefits? (Use business tax returns Form 1120 for C Corp. or 1120S for S Corp. as appropriate.)	
Salary (Form 1120: pg.1, line 12, 13 Form 1120S: pg.1, line 7):	\$
Pension, profit sharing, etc. (Form 1120: pg. 1, line 23 Form 1120S: pg. 1, line 17):	\$
Employee benefit programs (Form 1120: pg. 1, line 24 Form 1120S: pg. 1, line 18):	\$
Company paid car, travel, meals, etc.:	\$
Rent paid to owner's real estate entity (Form 1120: pg. 1, line 16 Form 1120S: pg. 1, line 11):	\$
Other company paid benefits not listed above (stock options, etc.):	\$
Total contributions from business to owner:	\$

2b Replacement capital value	
Total contributions from business to owner (\$) divided by _____% (typically 5%) = \$	



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3a | Liquidation sale value

What could the business be sold for if the owner were to die or become disabled? Most businesses are sold in a “liquidation sale” rather than as an ongoing concern. If you answer “yes” to a majority of the following questions, there is a greater chance that your business will end up in a liquidation sale.

If the owner died or became disabled... (check off a response to each question)

Would spouse own and/or control owner’s stock?	<input type="checkbox"/> Y	<input type="checkbox"/> N
Would spouse be liable for the company’s debt?	<input type="checkbox"/> Y	<input type="checkbox"/> N
Does spouse lack executive experience?	<input type="checkbox"/> Y	<input type="checkbox"/> N
Would sales likely suffer in the short run?	<input type="checkbox"/> Y	<input type="checkbox"/> N
Would profits likely decline?	<input type="checkbox"/> Y	<input type="checkbox"/> N
Would key employees think about leaving?	<input type="checkbox"/> Y	<input type="checkbox"/> N
Would clients think about leaving?	<input type="checkbox"/> Y	<input type="checkbox"/> N

3b | Liquidation analysis (Refer to Schedule L on Form 1120 or 1120S as appropriate.)**Assets**

Cash (line 1d): \$	Value at 100%	\$
Accounts Receivable (line 2d): \$	Value at 50%	\$
Other Assets (Total Assets (line 15d) – Cash – Accounts Receivable): \$	Value at 30%	\$
Total Cash Proceeds (Cash + Accounts Receivable at 50% + Other Assets at 30%)	\$	
Total Liabilities (lines 16d + 17d + 18d + 19d + 20d + 21d)	\$ ()	
Liquidation Sale Proceeds (Total Cash Proceeds minus Total Liabilities)	\$	

When owner reaches a major decision point, such as at death, disability or retirement, which value will be used?

1. Owner’s estimated company value (from section 1)	\$
2. Replacement capital value (from section 2b)	\$
3. Liquidation sale proceeds value (from section 3b)	\$

Important document checklist

To assist in preparing for the fact finding discussion, use this checklist of key documents and information. It will save time and keep your financial professional from having to follow up looking for additional information later. Include the last 3-5 years for tax returns and financial statements.

☐ **Federal Tax Returns**

Request both the business' tax returns and the owner's tax returns.

☐ **Business' Income Statement**

This statement indicates how the business' revenue is transformed into the business' net income.

☐ **Business' Cash Flow Statement**

This statement indicates the sources and uses of a business's cash flow and reflects a business' liquidity or solvency.

☐ **Business' Balance Sheet**

Lists its assets such as cash, accounts receivable, and inventory, fixed assets such as land, buildings, and equipment, and intangible assets such as patents. It also lists liabilities such as accounts payable, accrued expenses, and long-term debt.

☐ **Type of business entity**

(C Corporation, S Corporation, Limited Liability Company (LLC), Limited or General Partnership, Sole Proprietorship, etc.)

☐ **Succession plan documents**

(e.g., buy-sell agreement, trusts, etc.)

☐ **Fringe benefit plans for owner(s) and/or employees**

- Qualified Plans, including Defined Benefit or Defined Contribution Pension Plans, 401(k)s, Profit Sharing Plans, etc.
- IRAs
- Supplemental Executive Benefits, such as Split Dollar Plans, 162 Bonus Plans, Nonqualified Deferred Compensation Plans, Group Carve Out, etc.
- Other benefit plans, such as health, disability, long-term care, and life insurance

☐ **Key employee information**

- Name
- Age
- Position
- Salary
- Time of service

