

Business Valuation: Is it necessary?

There are many reasons to do a business valuation. But there are also times when it is unnecessary, and perhaps counterproductive.

Business valuation is a general process of determining value of a business. It can be used to determine the fair value of a company for a variety of reasons, such as:

- The sale value of the company
- Establishing a partner ownership
- Merging or purchasing another company
- Tax reporting
- Divorce proceedings

In these instances a business valuation may be legally required.

However, there are times when a formal valuation is not necessary. Here are examples of times when a formal, and expensive, valuation is not necessary:

Preparing to sell your company

Just like your home, your business is worth whatever a buyer is willing to pay for it. Enlist several business brokers or investment bankers who may be familiar with your business to estimate a price for you.

Just to Know Where You stand

The worth of a privately owned company can be very difficult to determine, especially if you are the owner has an emotional connection and has poured his sweat and blood into the business. You may be able to do basic research online for companies comparable to yours, or ask an investment banker familiar with your industry if they can help.

Tracking Company Performance

This is something you can do with information that is already available. Determine a set of metrics from your own office software that are important to your desired results. Consistently track these metrics over time. Soon you will be able to track your company performance without the external influences of market trends and the current economy.

Know when it is, or is not, necessary to get a formal company valuation. For a more in-depth article, check out [3 Situations When You Might Not Need a Business Valuation](#) from *Onsite Installer*.