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VALUATION NEWS

QUOTE FOR THE QUARTER

"An enemy defeats itself by over taxing."

-Sun Tzu, Chinese Philosopher, Author of "The Art of War"

Once again the time has come for Sweden to honour the recipients of its nine Nobel Prize. This year they are from five countries, plus the members of the European Union, winner of the peace prize. Since the much-coveted awards were founded in 1901, they were not always without controversy – scandals about honourees heavily involved in creating deadly substances for war uses, rulers such as Hitler and Stalin who forbade winners to accept the honour; their lives were often made difficult in their home countries. There is Linus Pauling receiving the Peace Prize in addition to that for Chemistry which caused considerable uproar in the US; he was branded a communist because he collected signatures against atomic weapons and their dissemination.

The Prize began with Nobel's discovery of dynamite which also raised some scandals. Its development process involved numerous unplanned explosions; in one, his younger brother Emil was killed, causing his elder brother Robert to insist on Alfred giving up all this foolishness – he did not. There was no foolishness in dealing with Alfred Nobel's substantial estate, which forms the basis for the generous annual disbursement.

The estate was exceptionally well planned, an activity that should be undertaken diligently by everyone no matter the size of resources. This holds true for individuals and even more so for businesses. The first step is to establish what a person or a company owns. As pointed out in a previous newsletter, in addition to the obvious, such as real estate, vehicles, art, investments and the business itself, many intangibles are frequently overlooked, such as copyright on everything written.

A good valuator will pursue all items that do not immediately come to an owner's mind. In today's era of low interest rates and greater risks many businesses are likely worth less than a few years ago; an up-to-date appraisal is an essential reality check.

Estate planning is not merely for those of mature years. When talking to owners or managers my partner always softly poses the question "what would happen if you are hit by a truck?" Rarely are owners prepared for such an eventuality. There is the question of divvying up possessions among heirs and the more pressing determination as to who could keep things running in the immediate future. Estate planning does not merely involve concrete matters; it requires the ability to assure clients that all is as it should be.

CVS can help identify all the assets involved and value them for disposal or transfer.

James P. Catty, MA, CA•CBV, CPA/ABV, CFA, CVA, CGMA, CFE, Principal Valuator of CVS, is Chair of the International Association of Consultants, Valuators and Analysts (IACVA), a 10,000 member organization with designation-granting authority in 55 countries. With contributors from 13 nations, Jim compiled "Guide to Fair Value under IFRS", published by Wiley, NY, in 2010. In 2011, he wrote "The Professional's Guide to Fair Value", Wiley, NY. Jim is completely up to date with the requirements of changing standards and would be delighted to assist with any professional question you may encounter and can be reached at 416.865.9766, www.corporatevaluation.ca or jcatty@corporatevaluation.ca.



THE TERM VALUE

There are many definitions of value, with the differences not being merely semantics. FASB adopted the "fair value" for financial reporting in 2002. The phrase took on at least two meanings in US GAAP and several more for IFRS. In 2011, nearly all were finally combined into one.

In the US, the AICPA has redefined industry terminology. Phrases such as estimate, conclusion, and calculation of value now differ in the US and Canada; other countries also march to their own drummers. Various courts adhere to their individual definitions.

Equally, taxing authorities continue to insist on their own views of value. Professional acumen is essential.

With otherwise identical facts, interpretations may vary. If in doubt, call CVS to assist in appraising your clients' situation correctly.