



Corporate Valuation Services Limited
501-707 Eglinton Avenue West
Toronto ON M5N 1C8
T 416.865.9766 F 416.865.1249
www.corporatevaluation.ca

VALUATION NEWS

QUOTE FOR THE QUARTER

"Money can't buy love but it improves your bargaining position."

- Christopher Marlow (British playwright 1564-1593)

Saint Valentine was a third century Christian Roman about whom very little is known. However, a few savvy entrepreneurs have made the most of the man's name, and in many countries, it has become synonymous with love, the kind that gives, and gives, and gives, the more lavish, the better. In our time, supposedly suffering from economic problems, I thought it amusing to investigate what certain economies – loved or not – might give us as presents this season.

Let's start with the Eurozone, whose widespread mess is not going away soon. In spite of a great deal of angst, especially among the Southern members, there will likely not be a collapse, but as an extended recession. Across the Channel, Britain is asking once again the perennial question "Are we Europeans?"

On our side of the Atlantic, it looks like another year of slow growth, sluggish in Canada, but irrational in the US, reflecting a confrontational Congress unable to deal with an ever increasing and unsustainable trillion dollar deficit. That requires sharp measures and a good look at history, in order to become a tolerable situation the country can deal with. Some form of tax expenditures, rather than income, seems advisable. Without this, it will be very difficult for economic growth or inflation to stabilize the debt; deflation would be a disaster. Due to demographic factors and declining productivity, future growth is likely to be in the 1.0% to 1.5% range rather than the 3.5% of the late nineties, which led to balanced budgets as well as reasonable returns for savers.

The newest top economy, China, is perturbed by growth of a mere 7.5% in 2012 instead of the nearly 10% to which it had become accustomed. As it is said often, when China slows down, everyone feels it, especially the stock markets. Even though some firms are moving their manufacturing back to the US, production in China is likely to continue strong due to increasing domestic demand. Growth of at least 8% needed for social harmony is expected for the Year of the Snake.

Those "presents", some through fate, some of our own doing, will affect the outlook and value of many businesses. Many owners are not prepared for the impact. Corporate Valuation Services will be glad to help.

We are pleased with the reaction in numerous publications to our fall 2012 newsletter concerning the inheritance of intellectual property. Let us know if you would like a copy.

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 definitions 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.