

Get the Most for Your Firm

Tips to Maximize Firm Value
Before a Sale



What is Value? Value is an Opinion Not a Fact.

The financial dictionary defines value as "the worth of all rights arising from ownership of property." In the case of an accounting firm or a tax practice, most likely the largest asset that will be transferred in a sale will be the intangible portion of the business, or what we commonly refer to as goodwill. But sometimes valuing an intangible becomes an even bigger task. How do a seller and a buyer ever agree on the value of a firm?

As a seller considers placing his or her business on the market, determining the most probable selling price (asking price) for the firm is very important. Too often the owner assigns an unrealistic or arbitrary value that leads to a lack of response from buyers and the loss of valuable time in the process. This can cause frustration to both the seller and interested buyers. At Accounting Biz Brokers, we know the market and can assist you in determining the most probable selling price for your business.

Perception vs. Reality.

Ask almost any accounting or tax professional what a firm is worth and the response will be "one times annual gross revenues" of the practice. This has become the standard rule of thumb for this industry. This perception of value does hold true for many sales; however, there are factors buyers will consider when determining what a firm is worth to them in a purchase. Some factors buyers consider to be most important in determining value are the location of the business, seller's discretionary earnings, and revenue mix, just to name a few.

The reality is a seller can set the asking price for the business; however, the buyer will ultimately determine the final value or sales price of the business!

Maximizing Firm Value in YOUR Sale.

Some time prior to selling a firm, a seller can take steps to increase the value of the firm to prospective buyers. Below are some tips to assist in grooming a business for sale.

- Make sure the office is clean, updated, and organized
- Evaluate the fee structure and make necessary adjustments
- Eliminate unprofitable clients
- Decrease expenses where possible
- Execute non-solicitation agreements with staff members
- Evaluate office technology and update to current standards of the industry
- Continue to focus on the growth of the business

If you are considering selling your firm or thinking of purchasing a firm, contact us today for a free no-obligation consultation. We have facilitated the sale of over 150 accounting firms and tax practices and we can help you, too!

Any questions, please email or call:

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