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Business Valuations: Types of Engagements and Reports

Gilbert Valuations offers three types of business valuation engagements and written valuation reports. What choice is made depends on your needs and budget. We would be glad to discuss these further with you.

Calculations is the lightest touch and least expensive business valuation possible.

At the conclusion of the assignment we will issue a summary report and valuation schedules, expressing the value conclusion as a range. The report will typically only include a summary of the value conclusion and key facts and information. The report is commonly only three to five pages plus several schedules. The scope of this report will not be adequate for testimony purposes.

Calculations reports are frequently requested as an initial indication of value and commonly requested in litigation matters that have a high probability of settling out of court. In general, we typically perform the same procedures as a Summary or Detailed engagement, but will frequently not dig as deep into some areas of the business or valuation procedures if, in our opinion, the time required will be unlikely to shed light on value.

The downside of this type of report is that the methodologies and assumptions utilized are not explained. Additionally, the following statement must be included:

A Calculations assignment may not include all the procedures required for a valuation engagement and had a valuation engagement been performed, the results may have been different.

We are frequently asked to perform a Calculations assignment and then asked to upgrade to a full valuation if the matter escalates. While this will ultimately cost more than just performing a Summary Report immediately, utilizing a Calculations report will cost considerably less if the matter settles.

A **Summary Report** is the next level of engagement and our most frequently requested engagement type.

A Summary Report is a valuation engagement that includes performing all procedures necessary to develop a conclusion of value. However, the report is slimmed down as much as possible while still providing the reader with the most critical information and assumptions used to determine value. In other words, we only include information that is most relevant. A Summary Report is typically 30 to 50 pages long, plus multiple schedules.

The way I like to put it is that a Summary Report can be read by an individual in about an hour and come away with a very solid understanding of how we determined the value.

Summary reports are most commonly requested when:

- There is a high probability of the matter proceeding to court;
- The recipient of the report has the desire to understand how value was derived and what assumptions were utilized;
- The business is complex;
- There are numerous assumptions required or forensic procedures are necessary;
- There are multiple individuals who will be reading the report so it is not possible for us to verbally explain the methodologies and assumptions utilized ; or
- There is considerable value at stake.

A **Detailed Report** is the most extensive report offered. While the procedures performed are the same as a Summary Report engagement, the report is highly detailed, typically 50 to 80 pages, plus schedules. A detailed description of the Company, industry and the economy are included.

These reports are typically performed for the following purposes:

- Reports destined for the Internal Revenue Service;
- ESOP Valuations;
- Reports generated for matters litigated in Federal Court; or
- Very high value companies.