



# Forensic Accounting Today

Newsletter of Ron J. Anfuso, CPA/ABV, An Accountancy Corp.

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Issue 26

## The Advantages of Choosing a Forensic Accountant Accredited in Business Valuation

When a dissolution case involves the ownership of a business, you should strongly consider choosing a Forensic Accountant accredited in Business Valuation (ABV). The ABV Credential is granted exclusively by the *American Institute of CPAs* (AICPA) to qualified CPAs. To earn the ABV Credential, candidates must meet qualification requirements, which are based on successfully passing the *ABV Examination* and meeting minimum valuation-related business experience and education requirements. These include:

- Holding a valid and unrevoked CPA license or certificate issued by a legally constituted state authority.
- Passing the ABV Examination.
- Completing the *ABV Credential Application* upon successfully passing the ABV Examination.
- Completing 75 hours of valuation-related *continuing professional education* (CPE). All hours must be obtained within the 5-year period preceding the date of application.
- Attesting to meeting the minimum education and business experience, and payment of the appropriate credential fee.
- Completing at least 6 business valuation engagements or achieving 150 hours of business valuation experience within the 5-year period preceding the date of the credential application.
- Signing a *Declaration of Intent* to comply with the requirements of *ABV Recertification*.

ABV credential holders rightly consider themselves the premier business valuation service providers. We stand out from those not certified by going beyond the core service of reaching a conclusion of value and creating an advantage for clients through the strategic application of this analysis.

Ron

## Why So Many Documents for a Business Valuation?

### Part 2

By Ron J. Anfuso, CPA, ABV, CFF, CDFA, FABFA\*

In the previous issue of *Forensic Accounting Today*, I concisely clarified the key reasons why Forensic Accountants request certain documents for business valuations. These included financial statements, tax returns, general ledgers and journals, paid bills, bank statements, canceled checks and brokerage statements, income tax audits, and stockholder and director minutes. (*If you do not have a copy of our previous newsletter, you can download a PDF version from our blog: [www.blog.anfusocpa.com](http://www.blog.anfusocpa.com)*).

As I pointed out in the previous newsletter, Forensic Accountants need to review a multitude of documents to perform an accurate business valuation. I believe attorneys and their clients benefit from understanding why we do so. Presented here are some additional documents Forensic Accountants usually request.

**Salary, bonus and personal expense records (perquisites) paid for by the business:** These documents help evaluate whether the community was sufficiently funded during the period of the marriage, and assist in establishing the income available for spousal and child support.

**Insurance policies:** In some instances, studying insurance policies may reveal assets not on the books, such as boats, rental properties, vacation homes or RVs. Additionally, if the owner claims business volume is low when the company is paying premiums for a high volume of business, it usually justifies further investigation of the business's financial records. Insurance policies occasionally also uncover assets being insured that the spouse was unaware existed and may also help determine the value of perquisites.

**Accounts receivable:** Receivable records help ascertain the amount of

## Do You Need a Financial Expert to Speak to Your Study Group or Bar Event?

Ron J. Anfuso can address any Forensic Accounting topic, including Moore/Marsden; marital standard of living and support needs analysis; financial specialists and Collaborative Law; gross cash flow available for support; DissoMaster™; divorce tax issues; divorce: what to expect; and business valuations. To discuss your group's needs, call Ron today!

\* For an explanation of these titles, please visit our website or request a copy of Issue 3 of *Forensic Accounting Today*.

**Communicating directly with me doesn't stop when you send us forensic accounting work...**

**IT BEGINS**



**I always welcome calls from referring attorneys AND their clients...**

regardless whether it's prior to beginning casework, when engaged in our assignments or after completing our work. Even if you've been serviced by a staff person, feel free to call me directly. Anytime. You may call my office or my cell. Type me a text. Send me an e-mail. I'll respond to you within 1 business day. And if it's an emergency and I'm tied up in court when you call, I'll get back to you as soon as I can make myself free. That's my promise.



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## **Why So Many Documents: Continued from page 1**

collectibles that should be included in a valuation. An *aging analysis* can determine the collectibility of accounts, thus establishing their value. Studying accounts receivable can also determine whether all income has been recorded and whether any income may have been deposited into undisclosed bank accounts. In addition, studying receivables allows Forensic Accountants to uncover situations whereby a business owner may have collaborated with devoted clients to write off balances during the year of the divorce and mutually agree for these clients to pay the remainders owed later off the books.

**Accounts payable:** This is a place where business owners can overstate items. For example, when a business owner uses business credit lines to pay personal credit card balances, it overstates debt and downplays the value of the business.

**Profit sharing and pensions:** In some cases, profit sharing agreements and pensions disclose marital assets that aid in establishing portions that are separate and community. These also help establish the value of the benefits received by the individual.

**Company websites, brochures and advertisements:** The company's promotion may provide a history of the business, and reveal changes in products or services made over time. Marketing materials may indicate places of business that were never disclosed, as well as reveal their competitive position in the marketplace. In addition, promotion may uncover products or services that were previously unknown, or indicate that a business has purposely dropped prices to reduce profits during the year of the divorce.

**The business's direct competitors:** Evaluating the degree of risk is a key factor in determining the value of a business. For example, Forensic Accountants can ascertain the degree of strength of a business's rivals and whether some are generating significant risk. Likewise, the Forensic Accountant can assess whether the competitive environment is weak and if there lies an opportunity for substantial growth. Factored into this also is an assessment of the potential of entry of new competitors and how these players might impact the business's future.

**Work in progress:** Careful evaluation of the financial worth of a business must also include the value of work in progress, as this may appreciably influence the profitability of the business. In addition, this analysis may lead to the discovery of hidden assets.

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In this and the previous issue of *Forensic Accounting Today*, we have touched on several of the documents a Forensic Accountant may choose to review as part of a business valuation. In the next issue, we will cover some of the documents Forensic Accountants review specifically for incorporated businesses.