



Forensic Accounting Today

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

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Issue 27

Overview of Business Valuation Documents

Over the past three issues of *Forensic Accounting Today*, I presented the rationale behind why Forensic Accountants frequently request various records for business valuation purposes. I covered a total of 29 distinct documents.

Actually, in my practice, I have probably requested more than 60 types of documents at one time or another, each with a specific purpose in mind. Among requests I have made in addition to those covered in our newsletters have included partnership agreements, escrow papers, inventory records, backlog lists, trade association memberships, competitor lists, financial forecasts, reports on performed appraisals, employment agreements, and equipment inventories. And the list goes on. If this topic is of interest, I will present these and, perhaps, a handful of others in a future issue of *Forensic Accounting Today*.

Each of the document types I discussed contains just a brief overview of a Forensic Accountants' grounds for the request. Should you desire details on any of the items presented, or others not covered, please contact me or post a question to my blog (<http://blog.anfusoocpa.com>).

I hope you have found the business valuation information I presented helpful.

Ron

Why So Many Documents for a Business Valuation?

Part 3

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

In the previous two issues of *Forensic Accounting Today*, I covered 15 types of documents that Forensic Accountants typically request for business valuations in dissolution of marriage matters. As I pointed out, 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. In the previous issue, I promised I would touch on several of the documents Forensic Accountants review specifically for incorporated businesses, which I do here. Also, I cover a handful of additional documents you may also desire to have clarified as to why we need them.

Documents Needed for Incorporated Businesses

There are specific documents concerning corporations that Forensic Accountants frequently request to review in a dissolution matter. Typical ones include articles of incorporation, by-laws, corporate minutes, stock certificate books, stock ownership lists, organograms and job descriptions of key officers.

Articles of incorporation: Forensic Accountants want to know when the company was established and the authority of the laws by which the corporation operates. Identifying whether the corporation was established before or during the marriage may play significantly in assessing the value of the parties' assets.

By-laws: Through by-laws, accountants discover the names of the board of directors and high-ranking executives, and whether there are any conflicting interests that could effect the case.

Corporate minutes: In some instances, minutes may reveal plans for expansion or acquisitions, which can have a significant impact on the value of a party's assets. In some instances, we may find that corporate minutes had been altered to mislead the other party, such as withholding of earnings, to attempt to hide the actual value of the corporation.

Stock certificate books: These records provide the history and changes that have taken place in ownership. They may assist in determining the value of shares as the result of ownership transformations.

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



Just 1 hour

Spend just one hour with Ron. Enjoy breakfast or lunch on him.

That's all it takes to discover why

Ron J. Anfuso, CPA/ABV is the better choice.

Call or e-mail us to set up a time.

Have you ever heard of a Forensic Accountant who LOVES testifying in court WORKING HIS BUTT OFF to PREVENT A CASE from GOING TO TRIAL?

Look, we all know there are motivations for a forensic accounting firm to be handed a case that could go to trial... especially when it's an accountant like Ron Anfuso. His testimony is credible and strong, he's always prepared, and he thrives on handling tough cross examination. But when it comes to the desires of the referring attorney and client, we always put them first. **Every time your goal is to achieve the best possible settlement for your client, we conduct our work solely with that objective in mind.**



Ron J. Anfuso, CPA
ABV, CFF, CDFA, FABFA



You can count on us to provide you accurate, thorough work that will help you achieve the best possible settlement outcomes. We do this while maintaining the highest ethical standards. This we promise.

For your next case that requires a Forensic Accountant, contact Ron

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!

Stock Ownership lists: These disclose who the current and past owners of the company are.

Organization Charts: Organization charts divulge the level of responsibility and authority of executives, which may prove important in determining the value of assets.

Job descriptions of key officers: When combined with other corporate information gathered, this may help uncover arguments for inadequate or replacement compensation.

Other Documents Frequently Required

Among the additional valuable documents we have yet to mention include the following:

Accountant's paperwork: Workpapers that accountants use to prepare business and personal tax returns, and financial statements can help uncover the basis for determining certain calculations, as well as clarifying the nature of particular transactions.

Loan agreements: Loan documents impact the determination of the value of a business, as they establish financial commitments, and set ratios and restrictions on salaries.

Operating budgets: Budgets reveal the needs for working capital and affect the computation of the value of a business.

Lease agreements: Evaluating leases can assist in determining the expectations for the future viability of the business. For example, if a party claims his business is struggling and having difficulty meeting its rent obligations, and no attempt has been made to rent out a portion of the space, it could indicate an anticipation for recovery.

Sales tax records: Reports of sales taxes provide an accurate record of sales, as it is subject to audit and stringent penalties by state agencies. A Forensic Accountant can reconcile reported sales taxes to the sales data provided by the company.

Joint venture agreements: Agreements regarding joint ventures can reveal whether company money has been placed into other companies or investments, and can assist in understanding cash and income restrictions on investments. In addition, these help establish whether investments of the business are operating.

Work in progress reports: These reports can uncover undisclosed assets. The Forensic Accountant should be able to analyze the value of the work in progress and, as a result, help determine the sales, profitability and worth of the business.

Should you have questions concerning any of the above documents or those described in the 25th or 26th edition of *Forensic Accounting Today*, I welcome you to call me or place a question on our blog (<http://blog.anfusco.com>).