

STAGES OF BUSINESS VALUATION

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Annotation: *Business valuation by stages is an important tool for entrepreneurs and investors when making decisions about buying, selling or financing a company. This process helps determine the market value of a business based on an analysis of the financial indicators, competitive environment and future prospects of the company.*

Key words: *business, planning, method, succeed, management, risk, market, income.*

It is important to understand that this process can be complex and requires certain skills and knowledge, which is why many entrepreneurs and investors seek help from professional consultants. In addition, business valuation can be useful not only when buying or selling a company, but also when planning a business strategy and making decisions about financial investments. It is important to remember that each stage of this process is important and requires attention and careful work.

The valuation process may include financial statement analysis, market research, competitor assessment, risk analysis, and many other aspects. The most common methods of business valuation are the yield method, the comparative method, the cost method, and the reasonable valuation method. Investors and entrepreneurs must have the skills and knowledge to conduct such analysis in order to make informed decisions and succeed in their businesses.

The process of business valuation includes the following stages. Information gathering - at this stage, all necessary data about the company that will be used in the valuation are determined. This stage includes the following steps:

1. Analysis financial reports is important component Financial management of the company. The purpose of this analysis is to obtain information about the company's income, expenses, profits and other financial indicators that can be used to make important business decisions. The importance of financial statement analysis is that it allows you to assess the financial condition of the company and determine its financial stability. In addition, financial statement analysis can help identify problems in the company's operations and offer recommendations for eliminating them.

Studying competitors in the market to understand who you have to compete with, what are their advantages and disadvantages. In order to develop an effective strategy, it is

necessary to conduct an analysis of competitors in the market. This analysis will help you understand who potential competitors are, what advantages and disadvantages they have, what opportunities there are for us in this area, and what challenges we may encounter in the process. Studying competitors is not only an important stage in developing a strategy, but also a key factor in success in the market.

In addition to market analysis, it is important to delve deeper into the specific needs and desires of the target audience to understand what problems and requests they have and how they can be solved with the company's products or services. You can also analyze competitors and their products to determine the strengths and weaknesses of your company and develop a strategy that will allow you to stand out in the market. Do not forget about the internal analysis of the company, assessing its resources and capabilities to improve business processes and increase the quality of products or services. All these steps will help the company more deeply understand the industry in which it operates and develop an effective strategy for future development.

In addition to the company's valuation, there are many factors that can affect its operations. For example, legislation and economic conditions can significantly affect the company's business processes. In addition, competition in the market is an important factor, which can greatly affect the company's position and market share. Factors related to the company's internal operations, such as management and product quality, should also be taken into account. All of these factors can be considered for a more complete valuation of the company.

When evaluating a company, it is important not only to have information, but also to ensure that it is reliable and complete in order to provide an objective assessment that is as accurate as possible. In addition, it is worth considering not only factors related to the company's financial performance, but also other aspects of the business, such as its strategy, competitive environment, industry trends, etc. All of these factors can significantly affect the success or failure of a company, so it is important not to forget about them when evaluating it. Ultimately, only a comprehensive and all-round analysis will allow you to make the most accurate and justified evaluation of the company. [3]

2. Selecting a Valuation Approach - At this stage, it is necessary to select a valuation approach that will be most appropriate for the given business and valuation purposes.

When choosing an approach to evaluation, it is necessary to take into account many factors, such as the specifics of the business, its goals and objectives, characteristics of the market and competitive environment, etc. In addition, it is important to ensure sufficient accuracy of the evaluation and its objectivity.

To achieve this goal, it is necessary to carefully consider the strategy for assessing the company and its potential in the market. There are many assessment methods and tools

that can be used to obtain the most accurate and complete picture of the company's condition and its capabilities in the market. For example, an analysis of financial indicators will allow you to assess the financial stability of the company and its development prospects, and a comparative analysis with similar companies in the market will help determine its competitiveness. In addition, an analysis of current assets and liabilities, as well as a study of market trends and forecasts can also be used to assess the company's potential. It is important to choose methods that most accurately and fully reflect the real value of the company and its potential in the market in order to make informed and effective decisions in the future. [6]

3. Forecasting future earnings is an important step when using the income approach to valuing a company. To forecast future earnings, you need to consider many factors that can affect a company's financial performance, such as economic conditions, financial statements, industry trends, and more.

It is also necessary to take into account possible risks that may affect the company's future profits. For example, economic crises, changes in legislation or competition in the market may negatively affect the company's financial performance. Therefore, it is important to analyze not only the current situation, but also possible scenarios for the development of events in the future in order to make the most accurate and reliable forecast of the company's future income.

In addition, it should not be forgotten that several methods must be used to make a forecast, since each method has its own characteristics and limitations. One of the most common methods is the discounted cash flow method, which allows you to estimate the current value of the company's future income. However, it should be taken into account that this method does not take into account all the factors that may affect the company's future income. [2]

4. Risk assessment - at this stage, the risks associated with the company's future income are assessed. As a rule, risks can manifest themselves in various forms and include economic, political, competitive and other factors. For example, economic risks can be associated with market instability or changes in the exchange rate. Political risks can manifest themselves in changes in legislation that can affect the company's activities. Competitive risks can arise due to increasing competition in the market, which can lead to a decrease in the company's income. In addition, changes in consumer preferences can also have a negative impact on the company's future income. It is important to take all these factors into account and conduct a risk analysis in order to develop a strategy that will be most effective in an uncertain environment. For example, a company can take measures to diversify its income to reduce the impact of risks on its financial position.

The company can also work to improve the quality of their products or services in order to increase their competitiveness in the market.[1]

5. Determining the discount rate is one of the main stages in assessing investment projects. The discount rate allows you to take into account the impact of time and the cost of capital on future cash flows and convert them into current value. As a rule, the discount rate is determined based on the riskiness of the investment project and market conditions, but can also be determined depending on the specific goals and objectives of the project. For example, if the project is long-term, the discount rate can be reduced to take into account the additional time horizon, and if the project is associated with the use of new technologies, the rate can be increased to take into account the risks associated with the uncertainty of future income.

In addition, determining the discount rate requires conducting an analysis of the market and the company's financial indicators to ensure that the rate is chosen correctly. This step is important, as an incorrect calculation of the discount rate can lead to an incorrect valuation of the project and loss of capital. As part of the market analysis, it is necessary to take into account the competitive situation, growth trends and demand for goods and services, as well as possible changes in tax laws and other external factors that may affect the market value of the project. [4]

Thus, determining the discount rate is a necessary procedure in assessing investment projects and requires a serious approach to analyzing financial data. In the process of determining the rate, it is necessary to take into account all factors that may affect future cash flows, as well as monitor changes in the market and economic environment. It is also important not to forget about the possibility of adjusting the rate during the project implementation depending on changes in factors affecting its profitability.

6. Asset valuation is an important process in business that involves not only assessing the value of real estate, equipment, and intellectual property, but also other assets that may impact the value of a company. It is important to understand that business valuation generally involves many factors, such as current market trends, competition, the company's assets and liabilities, and the potential for growth and development. Conducting an valuation can help entrepreneurs and investors make more informed decisions about how to use their resources and what steps to take to improve the company's financial position. Asset valuation is an important tool in various areas of business, such as financial management, asset management, and risk management. In addition, asset valuation can be used in the process of buying or selling a company, which can help the parties to the transaction determine a fair price for the company and reduce risks. [5]

7. Peer comparison is a method of assessing the value of a company that is based on comparing the company with other similar companies. This approach allows you to determine the market value of a company by taking into account factors such as market share, profitability, growth, and dividends.

In addition, when using a comparative approach, you can analyze the key points that distinguish a given company from its peers. For example, you can examine production features, unique technologies, product quality, customer satisfaction, and other factors that make a company more attractive to investors.

It is also worth considering that comparison with analogues can be especially useful in cases where the company is in development and does not yet have enough data to conduct other methods of valuation. In this case, comparative

Analysis may be the most reliable way to determine a company's market value.

In general, the use of a comparative approach is one of the most common methods of assessing the value of a company, which allows one to determine its market value and attractiveness to potential investors.[7]

8. Formation of the valuation report - at this stage, a business valuation report is formed, which contains all the results of the conducted valuation. This report can be used to make decisions about selling or buying a company.

The valuation report also includes an analysis of industry trends, the competitive environment, potential risks, and growth opportunities. In addition, the report may present various scenarios that may affect the company's value, as well as additional recommendations for improving its financial performance.

It is important to note that the process of forming a valuation report requires the participation of qualified experts who can conduct an in-depth analysis of the company's financial data and carefully assess its market position. This ensures the accuracy and reliability of the results obtained, which is extremely important when making decisions about the future development of the business.

Each of these stages - financial performance analysis, market and competitor analysis, business model and future prospects analysis - is necessary to obtain an accurate valuation of the company. To obtain the most complete and accurate picture, it is necessary to conduct market and competitor research, as well as analyze the company's financial performance. At the same time, it is necessary to devote sufficient time to each stage in order to obtain the most accurate valuation of the company.

Thus, it can be concluded that business valuation is an important process for entrepreneurs and investors, which allows determining the market value of a company based on an analysis of its financial indicators, competitive environment and future prospects. To obtain the most accurate valuation of a company, it is necessary to conduct

market and competitor research, as well as analyze the company's financial indicators. Business valuation can be useful not only when buying or selling a company, but also when planning a business strategy and making decisions about financial investments. It is important to remember that each stage of the business valuation process is important and requires attention and careful work.

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