



Recasting Financials

By Gary Papay, M&AMI

As a business owner, and part of the baby boomer generation, you've seen your share of ups and downs in the business world.

If you are considering the sale of your business there are a growing number of brokers and mergers and acquisition specialists available to offer professional assistance to help you determine the value of your business and how the market might respond.

Most businesses track their financial performance by using balance sheets, profit and loss statements and tax returns. These reports are beneficial in determining the value of a business. In most instances it's the cash flow that prospective buyers need to identify to better understand the health of a business. They must also understand how the money is being spent and the available opportunities to generate positive cash flow in the future.

The process of recasting financial statements is essential in determining the value of a business when the owner's intentions are to sell. Recasting requires extensive investigation to ensure all relevant and appropriate adjustments are correctly reported. This is one of many services provided by a business broker or mergers and acquisition specialist. They will examine your financials along with the historical performance of the business, and endeavor to identify keys to future performance and market opportunities.

The recasting process identifies items such as excessive and discretionary expenses and nonrecurring revenues and expenses. Recasting provides an economic view of the company, and allows meaningful comparisons with other investment opportunities. However, the owner benefits (salary, commissions, perks, incentives, personal loans and discretionary expenses) are considered and added back into the value of the company so a future buyer can adequately assess the business, its cash flow and future earning capacity.

A great deal goes into the process of determining value and selling a business. Recasting the financial statements of a business provides an indication of the business value and helps an owner with accurate expectations. A broker or mergers and acquisition specialist will help you understand the financial statements and help you move forward toward the completion of the business sale.

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