Its In The Numbers

FORENSIC ACCOUNTANT

Is a Business Valuation Needed for Mediation?

A practical handout for mediators, advisers and separating parties.

Core point

A business valuation is not automatic. The practical question is whether the parties can make an informed settlement decision without one.

When a valuation may not be needed

- Both parties have access to the relevant business and financial information.
- The business value is not a major point of disagreement, or does not materially affect the settlement.
- The parties are comfortable agreeing a value between themselves for practical settlement purposes.

When valuation assistance may help

- One party operates the business and the other has limited knowledge of it or its records.
- The business is held through a company, trust, partnership or related entities.
- Income, profit or drawings do not clearly reflect underlying value, or goodwill, IP, loans and retained earnings are involved.
- The business value materially affects the proposed settlement, or an independent basis for discussion is wanted.

Match the scope to the purpose

- Parties already agree: no valuation, or an informal accounting review only.
- Mediation support: a limited-scope valuation or value indication to assist informed discussion.
- Contested proceedings: a formal valuation report suitable for expert evidence.

Documents usually needed before estimating cost

- Latest completed financial statements and business tax return.
- Ownership structure, including any related entities, trusts or companies.
- Details of any proposed transfer of shares, units, assets or business interests.

Where there is a transfer of business value, shares, units, trust interests, goodwill, plant and equipment or other business assets, an agreed settlement figure may not be enough on its own; the value may need to be independent, reasoned and documented.

Next step: A short, no-obligation call is often the fastest way to scope the work. Book a 15-minute chat: https://calendar.app.google/f91JSWwK1KJRjScj9. Matters referred through a solicitor can generally proceed more efficiently, which helps keep overall costs down.

David Bay MBA | MIFA | IPA · Director, It's in the Numbers · david@itsinthenumbers.net · 0466 572 044 · itsinthenumbers.net