

Goodwill Valuations

Rob Knights & Co commenced performing goodwill valuations back in 1973. Since that time we have valued goodwill for in excess of 5,500 accounting, 3,000 legal and approximately 2,500 financial planning firms.

Valuations have been prepared for banks, partners, partners-elect, retirements, disputes, practice consolidators, stamp duty or CGT purposes, liquidators/receivers and family law issues.

As a consultancy, we do not service the public nor provide general accounting services. We are specialists in regard to all matters arising out of ownership of accounting, legal and financial planning practices.

We offer two types of formal goodwill valuations – detailed/comprehensive as well as abbreviated. Additionally, there is also the ability to value consolidated practices that may offer accounting and financial planning services for example. The following details pertain to our detailed or comprehensive valuations.

The Valuation Process

The process applicable to our valuation assignments is:

- A letter of engagement being provided and accepted by the retaining party
- Dispatch of our industry based questionnaire being completed by the practice retaining our valuation services
- Review and clarification of any material returned within the questionnaire
- Submission of a draft report for consideration by the client within generally 15 working days after receipt of all the required information. This provides an opportunity for both parties to ensure data provided by the firm has been accurately interpreted.
- Distribution of the final report typically 15 - 25 pages in length. This also marks the conclusion of our services.

Selection of Purpose for the Proposed Valuation

It should be noted that valuations are prepared for the specific purpose as initially advised by the client requesting the valuation. It is important to recognise that goodwill in professional practices normally varies significantly in value dependant upon the circumstances prevailing, the terms and nature of the transaction proposed, and the prevailing conditions. We accept no responsibility for unknown or unconsidered usage of our valuations.

It is a specific aim of our valuations to outline within our report the issues we believe are significant in determining the values derived. We believe that this is a significant issue for our clients in their usage and acceptance of our reports.

Utilised Valuation Methodology

The value of goodwill is typically considered from the following points of view.

1. **Market Value** ~ Representing the values typically being sought and paid under similar transactions, in similar circumstances, for similar practices (equity) in the current market. (We receive many 100's of calls each year discussing these issues plus receive constant feedback from other external sources and believe we are uniquely positioned to hold views on market value.)
2. **Future Maintainable Benefit** ~ For many practitioners, this value is similar to a "super profit" valuation although we seem to place particular emphasis on the maintainability of the BENEFIT. (This is an important view of goodwill value to purchasers of goodwill.)
3. **Return on Investment Value for Goodwill** ~ Typically places particular emphasis on the risk factors relating to the valuation.

Typical Costs Associated with a Valuation

Costs for valuations are dependant upon the complexity, entity size, and volume of work required, but are commonly in the range of \$5,500 - \$10,000 (plus GST) for most practices. Valuations of larger or multidisciplinary firms will reflect costs at the higher end or above these typical fee guidelines provided in this instance.

Confidentiality of Data

Naturally, all details relating to the valuation are confidential with our responsibility being solely to the client engaging our services. Details arising out of the valuation cannot be discussed with other parties without prior written consent from the retaining party. In some instances, clients wish to utilise a confidentiality agreement, which we complete without hesitation.

Abbreviated Valuations

Our abbreviated valuation is a shorter form approach that still utilises the three methodologies as outlined in the attached, however with less of a focus on future events perceived as influential upon the practice and with less indepth review of practice characteristics and attributes. Additionally, the questionnaire and report are reduced in length and a draft report is not utilised as part of this process. This approach is most suited to circumstances where the purchaser has been working within the firm for a reasonable period of time and would be familiar with many of the firm's clients and its daily operational processes and procedures or where the firm is seeking an initial indicative goodwill value. The cost of these abbreviated valuations is \$4,500 - \$5,000 + GST.

Any Queries or Further Questions

To discuss your valuation requirements further, please contact Michelle Knights.

CONSULTANCY BACKGROUND ~ ROB KNIGHTS & CO

Rob Knights & Co is an independent, unique and specialist consultancy, which has been operating throughout Australia for in excess of 45 years.

The firm has developed a prominent reputation for its expertise in a diverse range of products, services and assistance to professional accounting, financial planning and legal practices. Our primary objective is to develop, improve and guide firms in the areas of practice performance, management, proprietorship and in particular, succession planning.

Broadly, we specialise in the provision of services in support of the proprietors and proprietors-elect of professional practices of diverse size and structure within the aforementioned professions. Below is a summation of our core services.

- **Benchmarking and Key Practice Data** - Since June 1974 we have conducted the most extensive benchmarking survey service applicable primarily to the accounting profession relating to salaries, charge out rates and other key practice performance benchmarks. The survey is conducted on an Australia-wide basis. We are considered a leading source of key information relating to the accounting profession throughout Australia. Other individual and group services are also available utilising this broad ranging industry generated data, including our Efficiency & Productivity reports as well as our Typical Fees for Common Services report. We also provide accountancy practice “health checks” and general practice analyses.
- **Valuations** - As outlined above, we are recognised as an experienced and independent valuer of accounting, legal and financial planning practices within Australia. As a result of our independence, the professions are assured of total confidentiality in relation to sensitive information about their practices.
- **Consultations** - We are the major Australian consultant on proprietorship issues for the three professions. We regularly provide practical assistance with issues relating to the admission of principals, adjustment of equity, retirement, succession planning, principal remuneration and earnings, mergers and dissolutions, practice performance, commencing a practice, practice structuring including the management of key performance indicators, funding, staffing and the like. We also provide guidance to many partners-elect in respect of similar matters. We have consulted to the Australian Bureau of Statistics, major Australian and international banks and professional bodies in addition to thousands of individual practices throughout Australia. Consultations are conducted on a spasmodic, periodic and/or ongoing basis with groups and individual practices in all States at nominated times throughout the year.
- **Presentations, Guest Speaking & Facilitations** - Given our recognised expertise, we are engaged to conduct presentations on a wide variety of topics for external parties such as professional bodies, industry groups, associations and federations, professional publications and financial institutions as well as in the form of internally organised presentations and facilitations requested by firms, such as partner retreats and strategic planning sessions, designed to suit each practice’s specific requirements. From time to time we also host our own sessions and workshops offered to our client base.

We contribute to and author articles at the request of professional journals and magazines, such as the BRW, Asset Magazine, the Australian Financial Review, IFA, In the Black and Charter. In addition, we formulate a monthly e-mail newsletter known as the MAP Memo, which is received by approximately 2,000 – 3,000 members of the accounting, legal and financial planning professions Australia-wide and internationally relating to practice performance, management and proprietorship issues for professionals.

- **Practice Broking** - We provide specialist Practice Broking services to the professions through our associated company, Rob Knights Business Broking Pty Ltd.

PRINCIPAL

Michelle Knights is the Principal of Rob Knights & Co, having commenced her career at the firm in excess of twenty years ago and assuming leadership in 2004.

Her primary focus is the assistance of partners and partners-elect within accounting, financial planning and legal practices in the areas of practice performance, management and proprietorship, in particular, succession planning.

Michelle's qualifications include:

- Certified Exit Planning Advisor - Exit Planning Institute (EPI), IL, USA in 2011, 2013 & 2016.
- Graduate Certificate in Financial Planning – Financial Services Institute of Australasia (Finsia) in 2006.
- Australian Property Institute (API) Advanced Business Valuation Course in 2006.
- Business Agent Licensing Course – Sydney Graduate School of Management, Centre for Agency Licensing Education in 2005.
- Masters of Business Administration in Professional Accounting & Marketing from University of New England in 2002.

Memberships and Licences:

- Licensed Practice Broker in NSW, VIC, QLD, WA, SA & ACT.
- Associate of the Financial Services Institute of Australasia (Finsia)
- Member of the Australian Institute of Management.
- Fellow Member of Australian Institute of Business Brokers Inc.

Engagement of Services

Michelle welcomes further inquiries or discussions pertaining to the abovementioned services and may be contacted on (02) 9233 4333 or via e-mail – michelle@robknights.com.au.

For further information about any of our other product and services, as listed above or alternatively available, please contact Rob Knights & Co via phone on (02) 9233 4333 or via e-mail – services@robknights.com.au.