

What's the difference between price and value?

You are looking to buy a small business. You see something you are interested in: right industry, right location but is it the right price? In today's market everyone is looking for a bargain. The difficulty in assessing the price of a small business is that there may not be a lot of ready comparisons available in the market. If you are looking to buy a business where there is a large and active market - like a newsagency, pharmacy or coffee lounge - then comparisons will be available. And, there are industry models that typically set the pricing for these types of business. However, if you are looking at a more unique business where there is not a lot of public information, the going can get tougher.

If you need an opinion on price, be careful and make sure you get the information you are really after.

When you value a small business it is not unusual for the valuation to come in under the asking price. A normal reaction to this is that the business must be overpriced. While this is sometimes true it is not automatically the case. In a perfect market, price and value are the same thing - but we don't operate in a perfect market. As a result, this causes price to trade at either a premium or a discount to value. Over the past decade in Australia, price has traded at a premium of up to 30% on value for good quality businesses. To test the price of a business, you need to understand both its value and also any information on the price that businesses of the type you are looking at have traded for in the market.

When you ask for a valuation of a prospective business, the real question you might be seeking an answer to is should I buy this business? This is a very different question to one about valuation. Should I buy this business is about a range of both financial and non-financial indicators. It is as much about whether the business suits your lifestyle expectations and core capabilities as it is about the financial performance. If the business is a growth business and needs lots of marketing push, then it will not suit you unless you like the marketing aspect and have the time to dedicate to it. To assess all of this you need to understand the business and the business model in operation. You then need to compare the model to your expectations and also your business strengths. None of us are good everything. You need a business that matches your strengths.

You don't want to pay too much for the business but equally you don't want to miss out on the right business because the asking price is a bit more than you expected or what someone has told you it's worth. Whether or not you are prepared to pay a premium to value will depend on how much you want the business and what growth you can see in it. Good quality businesses with good growth prospects will almost always command a premium as there are always buyers for these types of businesses. Understanding the true value of a business, is understanding what it is worth now and also what value you can add to it. Once you know both these numbers you should be ready to negotiate on price.

'As seen on TV'

TV Appearance - Property Tax Specialists' Shukri Barbara was recently interviewed on Business show 'Your Money Your Call' by host Chris Gray of Empire on Sky News on Friday 3rd June 2011. To see the interview click here

<http://www.youtube.com/playlist?list=PL38076F7578DB0014&hl=en&gl=US>

Avoid delays - Lodge early – Tax Refunds Sooner

Most property investors are negatively geared. This means that where they have not requested a variation of their PAYG deduction from their employer, they get refunds on lodging their tax returns at the end of the financial year.

ATO is now processing lodgement of returns very fast, particularly where there is a refund and the refund is being deposited electronically into the taxpayer's bank account. Some refund assessments are issuing within 7 working days.

Tax Tip - To get refunds lodge your tax return soon. *Property Tax Specialists* can help facilitate the process and minimise time and cost with their checklists and templates. Contact Shukri on Shukri@propertytaxspecialists.com.au

Where are You Now? Where would you like to be? Call if you want to chat ... **We look forward to being of Service**

Please do not hesitate to contact us if you would like to review & discuss your current property & tax situation, your asset protection strategy, structuring your next investment property, planning to legally minimise your tax position or just to prepare your next tax return.

We look forward to being of service. We also look forward to your referrals.

To improve our service we welcome all constructive comments on this newsletter and other materials.

For help contact **Shukri Barbara** at Property Tax Specialists at Shukri@propertytaxspecialists.com.au

Checklists and Templates

To make the compilation & reporting task for 2011 tax returns easier, clients of **Property Tax Specialists** received checklists and templates to facilitate the process ... **saving them time and money ... the 'write' way is having clear documentation.** ATO way means time/money wastage with audit investigation.

Disclaimer

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.

Acknowledgement - parts of this newsletter have been taken from Knowledge Shop Pty Ltd client newsletters. Barbara & co – Property Tax Specialists is a member of the Knowledge Shop and Hayes Knight Network

Kind Regards
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