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5 Things that Can Result in Undervaluation of your Business

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A good deal implies getting the right value for the business. And in order to get the right value, it is crucial to know what's your business worth? Business valuation is a critical aspect to be considered while planning to sell your business. There is a possibility that you do not conduct the business valuation properly and end up undervaluating your business which in turn will leave you shortchanged and upset. So, let us look at the elements that can lead to business undervaluation or rather the business valuation steps that should not be overlooked.

Inaccurate and insufficient financial data

While conducting a review, prospective buyers will definitely want to check the company's financial data record of the past 3-5 years. If you've been particular about record keeping and regular internal audits of your financial data, you will have no problem at the end moment. Conversely, a poorly managed financial record is usually full of inaccuracies and incomplete data, which will project poorly on your business situation in the eyes of the buyers and lower your value.

Mismanaged assets record

As a seller looking for a good value for your business, you must ensure a consistent record of all your tangible and intangible assets that can add value to your sales prospect. It could be purchased equipment, premises, human capital, and even skillsets. Every asset is supposed to be in record and up-to-date for ready use. This reduces your work and stress at the time of negotiations. The buyers must be able to get a clear view of your assets to ascertain the worth of your asking price; else you stand to lose more value.

No streamlined process description

Every business works on a basic business model, and as the owner of that business, you need to have a step-by-step description of processes and systems implemented in your company. This will help buyers understand your logic behind those actions and give them clarity on how they can adapt to it or improvise it. Neglecting such basic documentation, thinking it unimportant will stand in the way of proper valuation of your business.

Lack of proper sales data



Every buyer is interested in knowing the strengths of the company they intend to buy. And sales stands out among the many strengths that can be projected to understand the past sales history and approximate the future sales prospects and growth of the company. You should be able to state your best products/services and least profitable ones honestly to eliminate any misconceptions with respect to their value. This will help buyers and their accounts team to generate future sales projections and base their final proposals on the same. If you have been lax with respect to your sales figures and records, your business stands a good chance of getting undervalued.

Comparable sales study with respect to market competitors

Also useful and in fact, impressionable will be the fact that you invested time and effort in a comparative sales study of market competitors to define your position among them in the domain. Buyers will definitely do the research from their end but an honest study report from your end will always add value while a dishonest one will result in undervaluation of your business and consequently hamper any prospect of a profitable sale.

The foremost action before listing your business for sale is to conduct a thorough valuation study of your business considering at least a 3-5 years' business history. Only a careful evaluation can bring you expected results from the buyers. In fact, list your existing business for sale only after a thorough and honest valuation with the help of either your personal professional contacts or external professional help.

The need for professional guidance is stressed upon because undervaluation is the worst thing that could affect your sales goals and prospects. You would want to receive the highest possible value for your hard-earned business, right?

If you are looking for business valuation services, you can check the best [business buying and selling platform](#) – Simplified Marketplace, wherein you can access expert consultations and related services on a common platform. For further information, you can connect with us on www.simplifiedmarketplace.com

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