



Australian Government

Department of Education, Employment and Workplace Relations

CPPDSM5038A Value a business

Release: 1

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Modification History

Not Applicable

Unit Descriptor

Unit descriptor

This unit of competency specifies the outcomes required to value a business for business broking purposes. It requires the ability to access and interpret market trends and other information relevant to the valuation of a business. The unit requires the ability to value the business using established evaluation methods, allowing for variations and internal and external risk assessment.

The unit may form part of the licensing requirements for persons engaged in business broking in those States and Territories where business broking is a regulated activity.

Application of the Unit

Application of the unit

This unit of competency supports the work of those involved in valuing businesses for business broking purposes.

Licensing/Regulatory Information

Refer to Unit Descriptor

Pre-Requisites

Prerequisite units Nil

Employability Skills Information

Employability skills The required outcomes described in this unit of competency contain applicable facets of employability skills. The Employability Skills Summary of the qualification in which this unit of competency is packaged, will assist in identifying employability skills requirements.

Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.

Performance criteria describe the required performance needed to demonstrate achievement of the element. Where ***bold italicised*** text is used, further information is detailed in the required skills and knowledge and/or the range statement. Assessment of performance is to be consistent with the evidence guide.

Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1 Obtain, interpret and confirm instructions.	<p>1.1 Client requirements and instructions are discussed and clarified according to <i>legislative, industry and agency requirements</i>.</p> <p>1.2 Assignment plan that best meets client valuation requirements is identified, determined and implemented.</p> <p>1.3 Fees are determined and negotiated with the client according to industry and agency requirements.</p> <p>1.4 Instructions are confirmed with the client according to agency requirements.</p> <p>1.5 Advice is prepared and provided to other <i>enlisted professionals</i> involved in the valuation process.</p>
2 Conduct research on business.	<p>2.1 <i>Information sources</i> are identified and used to ensure that reliable data and advice are accessed.</p> <p>2.2 <i>Current market data and trends</i> relative to the business are identified and analysed to assist in determining a fair and realistic valuation figure.</p> <p>2.3 <i>Apparent or potential conflicts in collected information</i> are identified and accounted for in preparation for valuation.</p> <p>2.4 <i>Agency and industry legal and ethical requirements</i> are adhered to in the process of gathering information and preparing for valuation.</p>
3 Inspect business and premises.	<p>3.1 Business and associated premises are <i>fully inspected</i> according to assignment plan and relevant industry practice standards.</p> <p>3.2 Assignment plan and relevant documentation are referred to as required to ensure accuracy of inspection.</p> <p>3.3 Inspection is documented and appropriately filed for future reference according to industry and agency requirements.</p> <p>3.4 Relevant enquiries are made and discussions with <i>key personnel</i> are documented according to industry and agency requirements.</p> <p>3.5 Actual characteristics of the business and premises are cross-referenced against other available data and inconsistencies are noted.</p>
4 Conduct valuation.	<p>4.1 <i>Internal and external analysis and risk</i> assessment for the identified business are conducted.</p> <p>4.2 Accepted <i>valuation methodology</i> suitable to the</p>

ELEMENT**PERFORMANCE CRITERIA**

- business type and available information are selected and applied.
- 4.3 Assumptions are made in the valuation process that are justified in terms of accepted valuation and ethical practices.
- 4.4 *Historical records* are normalised through adjustment of discretionary, non-operational and non-recurrent items.
- 4.5 Future profitability of the business is assessed using all available information and *identifiable variables*.
- 5 Complete valuation and deliver to client.**
- 5.1 *Valuation calculations* are reconciled to arrive at a final valuation conclusion and recorded according to agency and client instructions.
- 5.2 *Records and documentation* needed for verification purposes are retained or identified for future access according to client, legal and agency requirements.
- 5.3 Report is prepared in an *acceptable format* highlighting *valuation findings and rationale* and where appropriate, provides constructive advice for future valuations.
- 5.4 Areas for improvement in valuation processes are identified and communicated to relevant agency personnel.
- 5.5 Report is delivered to the client according to the assignment plan and agreed timeframes.

Required Skills and Knowledge**REQUIRED SKILLS AND KNOWLEDGE**

This section describes the essential skills and knowledge and their level, required for this unit.

Required skills:

- access a variety of information relating to valuing a business and relevant information regarding legislative requirements
- compile a professional report
- determine most appropriate valuation methods
- identify current market trends and positions
- inspect buildings and premises and take field notes for legal purposes

REQUIRED SKILLS AND KNOWLEDGE

- interpret trust accounts
- liaise with clients
- obtain information relevant to valuing a business and provide information on the valuation process and final valuation
- plan and monitor activities
- relate to people from a range of social, cultural and ethnic backgrounds and of varying physical and mental abilities
- resolve client concerns and issues
- research and analyse relevant information relating to a valuation
- select and use appropriate technology.

Required knowledge and understanding:

- agency's policy and procedures for client service, including ethical behaviour and valuation procedures
- mechanisms to obtain and analyse client comments and feedback
- organisational legal structures, financial and accounting systems and taxation issues
- principles and techniques for checking financial statements, the ownership and status of a business and associated plant and equipment
- principles and techniques for communicating concerns to clients
- principles and techniques for valuing a business
- relevant federal and state or territory legislation and local government regulations related to:
 - anti-discrimination
 - business broking
 - business operation and valuations, especially in regard to franchise and business structures and the sale of businesses
 - consumer protection
 - environmental issues
 - equal employment opportunity
 - financial probity
 - industrial relations
 - OHS
- sale and appraisal of businesses
- service standards and best practice models
- trust accounting principles and practices
- types of valuation methodologies, and benefits and limitations of each for a variety of business types.

Evidence Guide

EVIDENCE GUIDE

The evidence guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, the range statement and the Assessment Guidelines for this Training Package.

Overview of assessment

This unit of competency could be assessed through practical demonstration of valuing a business for business broking purposes. Targeted written (including alternative formats where necessary) or verbal questioning to assess the candidate's underpinning knowledge would provide additional supporting evidence of competence. The demonstration and questioning would include collecting evidence of the candidate's knowledge and application of ethical standards and relevant federal, and state or territory legislation and regulations. This assessment may be carried out in a simulated or workplace environment.

Critical aspects for assessment and evidence required to demonstrate competency in this unit

A person who demonstrates competency in this unit must be able to provide evidence of:

- analysing the business and associated systems and finances, as they relate to valuing a business
- clarifying concerns and communicating with clients to enable the valuation process and resolve complications
- completing the valuation, documenting findings and making recommendations on improvements to future valuation procedures
- knowledge of agency practice, ethical standards and legislative requirements associated with valuing a business
- preparing and structuring advice on the valuation process.

Context of and specific resources for assessment

Resource implications for assessment include:

- access to suitable resources and simulated or real opportunities to demonstrate competence
- assessment instruments that may include personal planner and assessment record book
- access to a registered provider of assessment services.

Where applicable, physical resources should include equipment modified for people with disabilities.

Access must be provided to appropriate learning and/or assessment support when required.

Assessment processes and techniques must be culturally

appropriate, and appropriate to the language and literacy capacity of the candidate and the work being performed.

Validity and sufficiency of evidence require that:

- competency will need to be demonstrated over a period of time reflecting the scope of the role and the practical requirements of the workplace
- where the assessment is part of a structured learning experience the evidence collected must relate to a number of performances assessed at different points in time and separated by further learning and practice with a decision of competence only taken at the point when the assessor has complete confidence in the person's competence
- all assessment that is part of a structured learning experience must include a combination of direct, indirect and supplementary evidence
- where assessment is for the purpose of recognition (RCC/RPL), the evidence provided will need to be current and show that it represents competency demonstrated over a period of time
- assessment can be through simulated project-based activity and must include evidence relating to each of the elements in this unit.

In all cases where practical assessment is used it will be combined with targeted questioning to assess the underpinning knowledge. Questioning will be undertaken in such a manner as is appropriate to the language and literacy levels of the candidate and any cultural issues that may affect responses to the questions, and will reflect the requirements of the competency and the work being performed.

Range Statement

RANGE STATEMENT

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. ***Bold italicised*** wording in the performance criteria is detailed below. Add any essential operating conditions that may be present with training and assessment depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts.

Legislative, industry and agency requirements may relate to:

- access and equity policy, principles and practice
- business and performance plans, including organisational goals and objectives
- client service policies
- industry and agency codes of conduct and practice, and code of ethics
- legislative and statutory requirements for provision of business broking services
- OHS policies, procedures and programs
- organisational policy, guidelines and requirements
- policies and procedures relating to own role, responsibility and delegation
- privacy and confidentiality requirements
- records and information systems
- reporting and communication structures
- terms and conditions of employment.

Enlisted professionals may include:

- accountants
- plant and equipment valuers
- real estate agents
- real estate valuers
- solicitors.

Information sources may include:

- annual reports
- financial statements and account details
- interviews with management, proprietors and other key personnel
- market and industry sources external to the identified business
- source documents
- taxation records.

Current market data and trends:

- may relate to:
 - business brokers' databases
 - current market information
 - demographic data such as size, nature of industry,

- shifts in usage and uptake rates
- economic conditions and business confidence levels
- global and local issues that may impact upon the identified business or sector
- market reports, analysis and commentary
- municipal authorities
- property leases
- raw market data and trends
- may be obtained from:
 - business consultants
 - clients
 - competitors
 - established media, industry analysts and commentators, publications and journals
 - industry.

Apparent or potential conflicts in collected information may arise from:

- discrepancies within and between accounting and administrative records
- historical financial records
- projections for growth and expansion in comparison to actual growth and expansion.

Agency and industry legal and ethical requirements may be included in:

- access and equity policy, principles and practice
- Australian Competition and Consumer Commission requirements
- Australian Securities and Investments Commission requirements
- business and performance plans
- court precedents
- ethical standards
- goals, objectives, plans, systems and processes
- government statutes
- industry self-regulation or licensing requirements
- legal and organisational policies and guidelines
- mission statements and strategic plans
- OHS policies, procedures and programs
- privacy and confidentiality requirements
- quality and continuous improvement processes and standards
- quality assurance and procedures manuals, including sales and client liaison procedure manuals.

Fully inspected would include:

- internal and external inspection
- physical attributes.

- Key personnel** could include:
- cleaners and building supervisors
 - council and fire authorities
 - staff of the organisation.
- Internal and external analysis and risk assessment** may include:
- internal:
 - assessing a business' overall strengths, weaknesses, opportunities and threats
 - background and history
 - depth of management
 - determining financial condition
 - evaluating tangible and intangible assets
 - historical financial trend analysis
 - identifying prior ownership sales
 - diversifying products and services
 - external:
 - competitive forces
 - economic and industry conditions
 - regulatory influences
 - locating possible guideline companies to be used in the market valuation approach.
- Valuation methodology** may include:
- analysis of taxation considerations
 - applying the sanity test
 - asset based approach
 - data collection, including:
 - ownership details
 - plant, equipment, fixtures and fittings listings
 - financial accounts
 - lease and rent reviews
 - income, earnings and cash flow approach
 - normalising the accounts
 - recommended listing price of business
 - use of accepted valuation methods, such as:
 - build-up method
 - capitalised earning method
 - comparable sales method
 - excess earnings method
 - industry-adopted methods, such as rent rolls
 - use of accounting ratios
 - vertical, horizontal and trend analysis of financial statements.
- Historical records** may be
- adjusting balance sheet items to their fair market

normalised by:

values

- adjusting for discretionary items such as owner or family salaries and benefits
- considering the potential value of non-recorded items
- identifying non-operating and non-recorded items
- removing non-operating and non-recurring income and expenses.

Identifiable variables may include:

- analysis of personnel requirements, finances, plant and equipment, methods of operation and materials
- asset management
- market trends and projections
- potential buyer interest
- projected sales and revenue targets
- tangible and intangible assets.

Valuation calculations should account for:

- minority and marketability discounts
- minority interests
- tangible and intangible assets.

Records and documentation may include:

- documents and pro formas for the client
- forms and paperwork required by legislation and statutory regulation
- internal documents required for the completion of the valuation process, including financial records.

Acceptable format may relate to:

- agency expectations regarding the valuation report in relation to style, layout, formatting, syntax and grammar
- industry expectations regarding the valuation report in relation to style, layout, formatting, syntax and grammar.

Valuation findings and rationale may cover:

- financial data
- organisation's history
- present operations, including:
 - accounting
 - engineering
 - environmental and OHS concerns and regulations
 - equipment
 - facilities
 - inventory
 - management and organisational structure
 - marketing and competition
 - personnel
 - product lines and services
 - quality control

- service record and systems
- suppliers
- valuation.

Unit Sector(s)

Unit sector Property development, sales and management

Competency field

Competency field Business broking