

FAMILY LAW ACCOUNTING NEWS

July 21, 2016

BUSINESS VALUATION PRACTICE POINTERS

I thought in this edition of the CFA Family Law Accounting News I would share with you some issues that often arise in divorce related business valuations that, if addressed early on, could potentially reduce fees as well as accomplish the needs of both parties in a timely manner.

- **Determine the valuation date early on** - Usually the valuation date will be either at date of service or date of trial. Realistically a valuation expert will use a month end (or even year end) closest to one of those dates. If it can be agreed to focus on one date, then you don't run the risk of going to Court with a valuation that is determined to be irrelevant due to having used the wrong date. In a perfect world the attorneys will either agree on the valuation date, or have the Court make a ruling in advance to allow the expert to only have to prepare the valuation as of that one date. Otherwise, you may find it necessary to have two valuations prepared.
- **Educate yourself on valuations** - The expression "A little bit of knowledge can be dangerous" holds very, very true in valuations. There are thousands of factors and related terminology that can go into preparing a valuation. While it is my job to present my report in a way that hopefully allows the users to understand what I am saying, it would still behoove you to understand the basics of valuations and the

related terminology. There are many inexpensive, yet informative publications that can provide you with this basic, but important knowledge. I'd be more than happy to discuss these with you. Please call or email if you would like more information.

In This Issue

- Business Valuation Practice Pointers
- "Double Dipping"



David Cantor, CPA/ABV has been working almost exclusively in Family Law Accounting since 1990 in both Arizona and California.

He has worked on over 1,000 Family Law cases and has experience in all aspects of Family Law Accounting including Business Valuations, Separate Property Tracings, Calculation of Income for Purposes of Determining Maintenance and Support as well as many other financial issues.

Mr. Cantor has testified in Court over 100 times as an expert witness.



BUSINESS VALUATION PRACTICE POINTERS (CONTINUED)

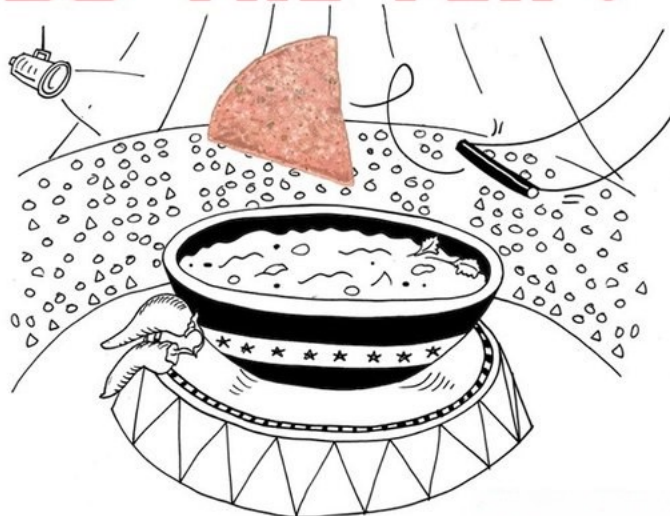
- **Know case law** - Every state has some type of case law regarding valuations, but no state has case law that encompasses all valuation issues. Knowing case law in other states can be of value when your case in Arizona has not been addressed within Arizona. It is often helpful to provide the Court with case law from other states as this may help in making your arguments regarding the merits of the case.
- **Know as much as your expert** - Remember, it is your job to persuade the Court as to why my valuation is the way to go. I will be explaining to the Court how I arrived at my conclusions and what factors went into my conclusions. However, it is ultimately your job to argue why I'm correct. That means knowing how I did my report as well as why I did my report the way I did. Again, going back to the previous points, you need to know business valuations and case law.
- **Work as a team throughout the case** - Business valuations in a divorce context often times have underlying issues related to other components of the divorce. By communicating throughout the case, these issues are known to all involved and make for a more complete and accurate financial picture of the case. Also, it is very uncomfortable (for everyone) to be sitting at a trial strategy meeting the week before trial and realizing something was missed due to a lack of communication during the life of the case.

ONE DIP OR TWO?

What Other States Say About The “Double Dip”

| | |
|-------------|--|
| California: | Declines to make new law |
| Iowa: | Using asset approach avoids double counting of future earnings |
| Michigan: | “It Depends” |
| Ohio: | Court rejects flat prohibition against double dipping |
| Arizona: | ???????????????????? |

**“IF YOU MUST DOUBLE DIP,
DO THE FLIP!”**



FREE CLE CLASSES IN YOUR OFFICE

Cantor Forensic Accounting offers free 2 hour CLE* classes at your office. Working with you, I can customize a class on any Family Law accounting issue to meet your office needs and fulfill a minimum of two hours of CLE.

Topics can include:

- ◇ Business valuation issues related to marital dissolutions
- ◇ Calculation of income
- ◇ Separate property tracing
- ◇ Document requests
- ◇ Marital Standard of Living
- ◇ Income tax issues related to marital dissolutions
- ◇ Reimbursement claims
- ◇ Stock option allocations

Please call David to receive more information on these classes.

*The State Bar of Arizona does not approve or accredit CLE activities for the Mandatory Continuing Education requirements of Specialists. This activity may qualify for up to two hours toward your annual CLE requirement for the State of Arizona, including two hours of advanced level training in the area of Family Law. A minimum of 5 attorneys are required to attend.



Contact Us

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