

Insights from a New Member of the Business Valuation Community

By Michelle Moor, BS, MSA

From time to time, The Value Examiner has the opportunity to check in with students who have graduated from accounting programs. Sacred Heart University, Jack Welch College of Business and Technology in Fairfield, Connecticut, sponsors a program designed to give students an introduction to business valuation and provides the necessary foundation to pursue a CVA designation. Students working for their MSA must complete a full valuation for their capstone course. Michelle Moor is a recent graduate of this program. In August of this year, as part of the Business Valuation Capstone course, Ms. Moor presented work as part of a team presentation on business valuation reports. John E. Barrett Jr., MBA, CPA, ABV, CVA, CBA, a member of The Value Examiner editorial board, served on the review panel and had this to say about the quality of the presentations:

The student teams did a remarkable job in processing information, providing comprehensive business valuation reports, and presenting their resultant findings. I truly enjoyed the entire process.

Danny Pannese, MST, CPA, ABV, CFF, CVA, CSEP, a member of the editorial board and an associate professor at Sacred Heart University, also weighed in:

Our panel of experts gave them a true courtroom experience.

The Value Examiner invited Ms. Moor to share her experiences with the program.

After 20 years of working in various roles within commodity trading floor operations, I was ready for a career change. I started researching ideas on what I could do next when I came across the MS in Accounting program at Sacred Heart

University. The program offered a concentration in Forensic Accounting and Business Valuation. I knew instantly that this was something I would love to do. Business valuation had everything I wanted—finance, economics, accounting, intimate knowledge of the operations of a business, and close contact with its owners. I have lived in London and New York City and worked with “Wall Street type” individuals for most of my career, but after moving to a relatively smaller town in Connecticut, I became intrigued by all the small businesses that are essentially the lifeblood of this country.

It has been roughly 20 years since I graduated from college. Going back to school was scary to me. Could I compete with the younger generation of students? Did I know anything about business valuation? Not really, but from my work experience, I knew what it took to value a derivative instrument. I knew the intricacies of what went into a single price that was used to transact in the markets. I also knew the difference between liquid and illiquid markets. Finally, I knew the difference between selling or buying something during a crisis vs. a market bubble. All these factors were congruent with business valuation. This was going to be a fantastic opportunity to fine-tune the skill set I had and acquire the knowledge I needed to move forward with my new career.

Upon receiving the first trimester’s syllabus, a wave of fear once again swept over me. It was going to be an adjustment, but I cleared my calendar and determined that this is what I was going to accomplish over the following year. The coursework was indeed challenging and intense. However, by the second trimester, I was in the groove and enjoying the program. I even felt younger working alongside the students. It was fun to see their different perspectives on things.

Moreover, it was great to watch their reactions when I explained to them that Sarbanes Oxley was not around when I graduated. A few students would shout in disbelief, "HOW OLD ARE YOU?" I took that as a compliment. I was a veteran sharing with them my vantage point of calamitous events such as the collapse of Enron and then Lehman Brothers. Frankly, my work experience had made the course work all that much more interesting.

While in the program, I worked on several group projects, and I found one student buddy in the program that I worked particularly well with, Sandra Marques. She was a hard worker, personable, communicative, and had a great sense of humor. We would spend time discussing the course work and bouncing ideas back and forth. She got me up to speed on a lot of the technology, and I helped her understand some of the course content by giving her simplified real-world examples. I had learned to do this early on in my career when I felt overwhelmed, and I hoped this technique could make her path ahead a little easier. I was lucky enough to have Sandra in all my classes throughout the year. In the late spring, we took the business valuation class together, and, in the summer, we worked together in a group to complete the capstone. The capstone, which we will discuss in more detail later, was the application of the theory we learned in our business valuation course.

THE PROGRAM

In the first couple of trimesters, we tackled more advanced topics in accounting, which would help us prepare for the CPA exam. In the spring, we moved onto our concentration courses, where we began to study the theory behind forensic accounting and business valuation.

In the forensic accounting course, we learned the theory behind detecting fraud and money laundering. In addition, we explored litigation support and expert witness testimony, which was instrumental in understanding the litigation that often accompanies business valuations.

Then, in the late spring, we learned the theory behind valuing a company. We used NACVA's training program, which included an electronic textbook accompanied by webinars that helped elucidate the text. NACVA also allowed us to test

drive ValuSource Software, a software application used by professionals in the valuation industry.

THE CAPSTONE

The final step to solidifying our theoretical foundation in business valuation was our capstone project. We met with the professors in mid-July, where we were divided into groups and assigned a case study to value over the following six weeks. The course work from the previous trimesters would serve as the underpinning for this project. In addition to the previous forensic accounting and business valuation courses, the program had also provided us with the appropriate accounting and financial analysis skills necessary to complete the capstone. We now had our opportunity to apply all the knowledge we had acquired over the past year.

Specifically, the capstone assignment required us to write a detailed valuation report to demonstrate our proficiency in business valuation. This assignment included industry analysis, financial analysis, applying normalizing adjustments, and performing the three valuation approaches; asset, income, and market. Last, but certainly not least, we were to apply discounts for lack of control and marketability before arriving at our conclusion of value. Each segment of the paper was challenging, and the valuation process is circuitous by nature, so we found ourselves revisiting and reevaluating our findings several times.

The six weeks flew by, and before we knew it, our group was standing in front of a classroom presenting our case to our professors, two local practitioners, and classmates. The presentation had a litigious feel to it. It felt as if we were on the stand testifying to each of the decisions that we made throughout the valuation process. For example, we were questioned on our assumptions, such as how we determined excess cash or why we chose one approach over another to arrive at our conclusion of value. This experience was invaluable as it clearly showed the students the amount of detailed work required and the serious nature when attesting to a Certified Valuation Analyst's conclusion. It was a perfect way to wrap up the program, and I felt prepared and excited to be an aspiring valuation analyst.

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OTHER INSIGHTS—AN INTERVIEW WITH A STUDENT IN THE PROGRAM

I thought it would be beneficial for the reader of this article to get a younger student's perspective of the program in addition to mine so my student buddy, Sandra Marques, who has an undergraduate degree in accounting and an MS in Accounting from Sacred Heart University, agreed to share her thoughts on the program.

Author: Sandra, please tell the reader a little bit about yourself and why you chose forensic accounting/business valuation as your concentration for your MS in Accounting?

Sandra: Michelle, thank you! I started as a pioneer at Sacred Heart University a little over five years ago now. I have completed both an undergraduate degree majoring in accounting and minoring in criminal justice (if you would believe the combination) and a Master of Science in accounting with a concentration in forensic accounting. To say it was easy would be an obvious lie. But was it challenging and rewarding? Absolutely! If you ask me to do it all over again, I sure would without skipping a beat. During my senior year of high school, I began working at a local bank as a teller. During my college summer and winter breaks, I would come home and work in a different position or do different tasks. The more I learned about different aspects of banking, the greater my curiosity in my academics grew. I eventually took on a criminal justice minor because it had always been interesting to me. During my college career, I was able to see the connection between accounting and criminal justice through my final courses in undergrad. I was fortunate enough to have had the option of choosing forensic accounting as a concentration for Sacred Heart's grad program.

Author: Sandra, what was most challenging about forensic accounting and business valuations courses? What did you enjoy the most about these classes?

Sandra: The most challenging part of the forensic accounting course was defending our reasoning during our case presentations. Like the capstone, our professor assigned us in pairs to complete a case and present on the case summary and answers to the questions in the related test booklet, all while being able to defend why we chose such answers. The reason I found it difficult was during our first class when the professor explained the role of a forensic accountant in the courtroom, I was intimidated but also motivated to continue.

For the business valuation course, in the beginning, it was a bit challenging to grasp the material. The more that I read, the more it made sense. However, the real test of the material did not stop at the exams; the capstone put the pedal to the metal and made us apply all the theory to a sample case.

Author: Let's talk about the capstone. What was the most daunting part of the capstone for you? What parts did you enjoy the most? Was there any course in particular that you found helpful in completing our capstone besides the forensic accounting and business valuation classes?

Sandra: Ah, the capstone. It certainly was no easy task, however a rewarding one when we got through it. Firstly, figuring out where to start was probably the most challenging part going into the capstone. Luckily for my group, our strong leader, Michelle, had begun the initial organizing and task delegation for us all and got us off to a fantastic start. It was crucial to start as soon as possible and get the ball rolling quickly.

I did enjoy the times we were able to collaborate and talk out some issues. Often, I found myself turning to my colleagues for guidance to narrow my thinking so that I could focus on the related items to our case. Voluminous amounts of information regarding business valuation were available at our fingertips. However, it is arduous and time consuming to sift through, which as a novice, can get frustrating. I sometimes found myself spinning my wheels and not being able to come up with a result. Knowledge comes from experience; however, we were all new to the process so having my group to bounce ideas off each other was instrumental in delivering the completed capstone.

There are a plethora of items involved when determining the value of a business, and similarly, so did our capstone. I found that our introduction into business valuation was the most relevant regarding the completion of valuation; however, all of my courses I have taken over my five years at Sacred Heart University have prepared me for the capstone. Seeing as many of the required courses touch on different areas of study within a business, I saw the puzzle pieces coming together and the effect one aspect has on the other, ultimately, in this case, to come up with a valuation.

Author: How did you feel about the presentation?

Sandra: To be honest, it took me a little while to understand why it felt like we were being put under the microscope when it came to the presentation, but I soon realized how important it was. Our professors made it clear at the beginning of our capstone course that we must be able to back up our process to reach our conclusion. It wasn't until after the frustration of being thoroughly questioned and critiqued during the presentation that it clicked. A professional in the business valuation field is seen as the expert and must be able to justify and explain, for example, in a court of law, why the valuation of a set business was calculated in such manner.

Author: Overall, how do you feel studying business valuation has prepared you for your career?

Sandra: After this course, I do find business valuation challenging but rewarding, and I hope that later down the road, I can have the opportunity to dive in. Having studied and briefly performed a business valuation, I feel better equipped should I choose to practice business valuation later down the road. Being a relatively younger accountant, I plan to gain experience in public accounting first to build my skillset.

Author: That's a great idea! However, there is one more thought I would like to share with the reader and with you, Sandra, that I hope gets you as excited about business valuation as I am. We currently live in an era where so-called baby boomers, who represent the wealthiest generation in history, will be retiring. Succession planning for these baby boomers will often entail gifting or selling businesses or even establishing a charitable trust. Besides which, we live in a litigious society where disputes involving asset valuation are usually required.

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CONCLUSION

As the wealth grows within our society, the complexities involved also grow, and so does the need for valuation experts. These preceding factors were compelling enough reasons for me to realize the opportunities that exist within the valuation industry and has inspired me to work towards obtaining my Certified Valuation Analyst certification. **VE**



Michelle Moor holds an undergraduate degree in accounting from the College of New Jersey, and an MS in Accounting from Sacred Heart University. She spent her career working on commodity trading floors within various roles. Later on in her career, Michelle created her own company specializing in trading floor operations for start-up trading firms. Ms. Moor intends to capitalize on her derivative valuation experience and graduate studies to transition into business valuations.