Valuation essay examples

[Business](), [Company]()

Q. 1

Valuation is the process or means of conducting statistical analysis in an effort to determine the value of total asset of a company, business, or an organization. There are four techniques adopted in valuation of business assets. They include:

There is the assets accumulation technique.

The discounted cash flow technique and method.

There is also the market value method.

The income evaluation method is also included.

Depreciation

Non-currency expenditure that diminishes the value of fixed and current assets in a company over a given period, due to factors like wear and tear, obsolescence, and age.

Amortization

It has two meanings, the first being; it is the process of paying off accrued debt in regular installments in a long period. The payments made comprise of principal and interest. The other definition is it is the subtraction of capital expenses over a certain period, which measures the consumption of the total values of the intangible assets like copyrights and patents.

Depletion

This refers to the movement of natural resources cost, from the balance sheet of a company to its statements of income.

It is not appropriate to use two different methods especially when saving time or in the exam room, since either method (Straight-line depreciation and Reducing balance method) used will yield the same result of whole depreciation charged over the practical life of fixed assets.

Q. 2

All those companies or industries that allow complex payments or deposits for whatever service or product it may convey in the future, should account the income realized as unearned revenue. For example, newspaper companies receive deposits from customers before they deliver the paper to the customers. Unearned revenue is a liability when a company or an industry accepts deposits of services it has not yet given. Since the income is not revenue, the company does not earn it, and therefore considers it a liability. In order to recognize the unearned revenue, the company, or the industries should deliver the services and products to their clients, and only after delivery, it is when they adjust the entries into the financial statements. Another good example is the legal firms, which normally accepts deposits from client before giving services, and later offer the services after consultation with their client.

Q. 3

A number of companies issue bonds in an effort to fund their operations, since borrowing money from banks is quite expensive and restrictive to the company, compared to selling debt through issuance of bonds on the open market. All banks lay superior limitations on what a company can invest with a loan, and are more alarmed about debt settlement. The market of selling bond is more lenient than banks, and lay as an alternative by companies, to bank loans. On regular basis, companies must raise money to maintain ongoing and future projects of its operations. In doing so, they engage in bond selling to bondholders as amount overdue, which they repay with principal payments and coupons in the future. I would purchase a bond at a discount since the profit is the variation between the par value and the actual price, plus coupons. Factors that determine whether a bond sells at a discount, premium, or face, or is; the level of rating of the company’s credit, its duration, and the economic risks involved.