

Business letter 2



**ASSIGN
BUSTER**

of the of the Submitted Business Letter 2 Dear Mr. Dabbs, Thank you very much for your letter of 01 July 2011, outlining the concerns you have expressed regarding the valuation of your business. We assure you that Emergent Technologies Inc. has been correctly and adequately appraised and evaluated according to the present accounting standards prescribed by the FASB, and that the present state of your assets, liabilities and business ownership is correctly reflected on the books. We understand that your concerns have stemmed from an offer to buy out your business for \$1, 000, 000 more than the net carrying value of your assets. A little reflection will show that there are a couple of reasons for this. One is that Emergent Technologies has developed a unique procedure for the mass storage of information via its SuperDisc™. As you know the patent and copyright for this invention has been lying with the US Patent Office for some time now, and it is only a matter of weeks before the patent will be registered in the name of your company. This alone is sufficient to increase the value of net assets by \$500, 000. Another thing to be considered is your excellent business reputation over ten years of business. Your company and its products are well-known and have considerable goodwill among the business community. According to Meigs and Meigs (1993: p 474), goodwill can result because of owner or product reputation, leading to extra sales and business contacts in the marketplace. In the event of a sellout, the new buyer will gain from this goodwill that you had earned and accordingly, you can arrange for an evaluation of goodwill and even record it on the books before making the sale. A conservative estimate by us looking at industry standards puts the value of Goodwill at \$500, 000 for your business at this point. Adding both the value of Goodwill and Patents will therefore revise the value of net assets

upward by \$1, 000, 000, as has been correctly estimated by your prospective buyer and his accountants. Goodwill and Patents are both intangible assets and therefore difficult to value correctly. We hope we have been of some assistance in assuaging your worries and you may go ahead and take a decision as per this revised estimate. We look forward to provide you with any further assistance as you may require in this matter. Sincerely, Addy Tupp, Senior Partner, Value Your Firm, Inc. Works Cited Meigs, R. F & Meigs, W. B. Accounting-the Basis for Business Decisions, 9th ed. McGraw Hill, 1993.