

# Business Valuation

Marco Fazzini

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Theory and Practice

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*To Cesare and Giacomo,  
may they appreciate the value of what really matters in life*

# Preface

If you are leafing through this book you might wonder whether a new textbook on business valuation is really necessary, as so many books have been published on this subject in recent years. In my opinion there is still something to say; let me try to explain why.

First, many textbooks address business valuation as if the valuation method were all that mattered.

In fact, most business valuation textbooks are specifically focused on calculation methods. Unquestionably, these play a very important role, as they are the formal part of the entire process. The risk, however, is to place too much emphasis on the quantitative dimension, without adequately considering the context in which the valuation is made.

The method chosen is the result of a broader analysis through which the characteristics of the firm are investigated. It is the method that must adapt to reality not the other way around.

The purpose of this textbook is to offer a guideline for the application of an integrated approach, thereby avoiding “copy and paste” valuations, based on prepackaged parameters and the uncritical use of models. Specifically, an Integrated Valuation Approach (IVA) should be adopted that encompasses, within any specific method, a wide range of elements reflecting the characteristics and specificities of the firm to be valued.

Secondly, many textbooks do not adequately consider the role of valuation standards. In both the literature and professional practice, business valuation is now circumscribed to some specific models, although many variations can be found in their practical application. Valuation standards allow for an alignment of both the methods and their application, providing a common basis for valuers. This book is based on the International Valuation Standards

(IVS) issued by the International Valuation Standards Council. These standards significantly help the valuation work, both generally (scope of the work, investigation and compliance, reporting, basis of value, valuation approaches and methods) and specifically (business interests, intangibles, plant and equipment, real property, development properties, financial instruments), and provide useful indications.

To write this book I had to take time away from my family; thus, I am grateful to my wife Laura and my children for their patience and to whom I dedicate this book.

Rome, Italy

Marco Fazzini, PhD

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