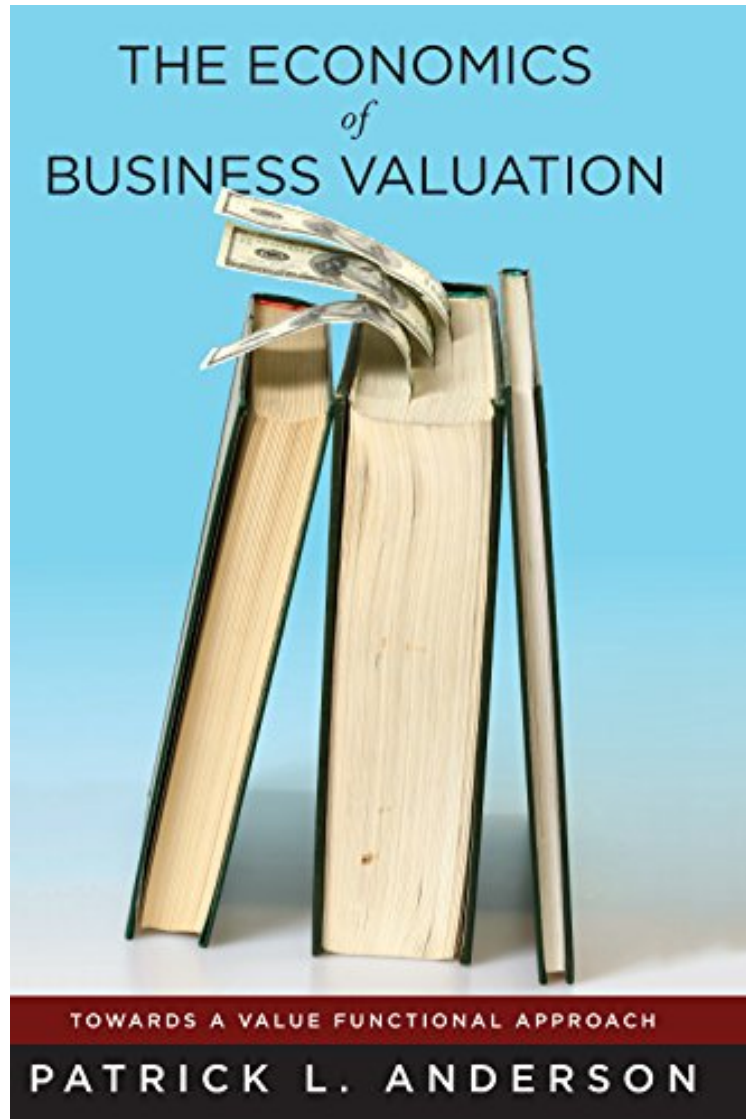


(Mobile book) The Economics of Business Valuation: Towards a Value Functional Approach

The Economics of Business Valuation: Towards a Value Functional Approach

Patrick Anderson

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Patrick Anderson : The Economics of Business Valuation: Towards a Value Functional Approach before purchasing it in order to gage whether or not it would be worth my time, and all praised The Economics of Business Valuation: Towards a Value Functional Approach:

1 of 1 people found the following review helpful. A Tool for the Academic Turned PractitionerBy Michael GarrisonAs a newly minted economist with a primarily academic background, this book filled the chasm between academic usage and real world application of the variety of quantitative, modeling, and analytical skills taught in most economics

graduate programs. I found it most useful to read the book with a notepad to log ideas on how to put to use the procedures outlined in the text. Mr. Anderson succinctly sums up traditional valuation methods, their flaws, their strengths, and gives the reader insight into what valuation techniques best apply to many situations and which do not. I would highly recommend this book and the author's other works. 0 of 0 people found the following review helpful.

What I dislike most about the book is the author's conceit. By Peter This book is available at my university library. Overall, this is an amateur book, written by an amateur scholar. In the book, Anderson introduces the "value functional approach" to business valuation. This is fleshed out in later chapters, and I will admit that I stopped reading on page 126 and so cannot speak on the merits of his approach. But I urge anyone interested in this book to type "value functional approach" in Google. It has been over three years since Anderson introduced his approach and it is not used by anyone. In my mind, this speaks volumes. What I dislike most about the book is the author's conceit: he criticizes the net present value (NPV) method as though criticism of it is not standard and he appears to view himself as a "pioneer" (p.xii). He sets business valuation up as this broken system. To support this claim, he argues that the notions that firms seek to maximize profits and that NPV should be used in investment decisions are flawed: firms seek to increase profits, not maximize them, and NPV is not perfect. Anyone with experience in business valuation, economics, accounting, finance, etc. understands this. As an example of his conceit, consider this passage: "Since then, I have studied other entrepreneurs and their businesses. I questioned them personally on their experiences. I visited their business premises. They are an interesting, compelling bunch; and rarely do they describe the critical business decisions using the jargon of corporate finance or the nomenclature of economics." The fact that the business community does not use financial and formal economic jargon is understood by virtually everyone with experience in this issue area. Yet he writes these words and this book as though these insights were novel. Another indicator of Anderson's simplicity and conceit is when he redefines the term "commodity". In the standard definition, used by everyone with an interest in business, finance, economics, etc., a commodity is a tangible good that is easily tradable. Anderson redefines commodity, taking it to be anything that can be bought and sold (essentially, he is deciding that 'goods and services' be re-labelled as 'commodities'). Anderson's commodities include tangible objects, as well as services, property/assets, access rights to assets/future commodities, intellectual property, and money. I understand that he is doing this in service of his "value functional approach", but it seems presumptuous. There is little positive to take away from this book in my opinion. There are legions of texts on business valuation methods and, in defense of Anderson, I suspect the majority of them are low quality. 1 of 1 people found the following review helpful. Great discussion of valuation methods. By Scott Gilbert This book is an elegant and thoughtful presentation of the diverse ideas commonly used to value businesses that have no obvious market price. The author is a practicing consultant in the area, and the work is both erudite and appealing as a meditation on a consulting economist's attempt to take divergent perspectives and methods. The book is quite scholarly and modern, and the text has plenty of formal mathematics without being excessively technical -- a free (extensive!) companion supplement provides additional supplementary technical content. For the typical business valuation consultant, the book may seem at times daunting -- it never shies away from heavy theoretical concepts -- and perhaps overly concerned with the limitations of popular valuation methods. But for the consultant who is an economist at heart, the book is a delightful query into problems of economic theory when applied to business valuation. I hope that more economists, consultants and non-consultants, will enjoy reading it as I have. The lively and insightful discussion of modern valuation methods, plus the supporting quantitative analysis, is well worth the purchase price of the book. As a bonus, Anderson takes the extra step to suggest a possible remedy for some shortcomings he sees in existing methods. This remedy, which he calls the value functional approach, restates the business valuation problem as a valuation + business decision problem, making explicit the importance of good business decisions for firm value. This adds complexity, inherently, but he simplifies the exposition somewhat by focusing on stable/stationary decision/value problems. If the business decision ("now") is held fixed, the situation reduces to a business (current and future earnings stream) valuation problem, and the new method becomes indistinguishable from more conventional economic methods of business valuation. The new method addresses two problems (valuation and business decision) at once, and may be useful to consultants working on business decisions or public policy. For consultants interested only in business valuation, the new method may not be of interest, but it occupies only the last two chapters of the book. The first twelve chapters are all very relevant to mainstream business valuation, and the technical appendix makes them even more valuable!

For decades, the market, asset, and income approaches to business valuation have taken center stage in the assessment of the firm. This book brings to light an expanded valuation toolkit, consisting of nine well-defined valuation principles hailing from the fields of economics, finance, accounting, taxation, and management. It ultimately argues that the "value functional" approach to business valuation avoids most of the shortcomings of its competitors, and more correctly matches the actual motivations and information set held by stakeholders. Much of what we know about corporate finance and mathematical finance derives from a narrow subset of firms: publicly traded corporations. The value functional approach can be readily applied to both large firms and companies that do not issue publicly traded stocks and bonds, cannot borrow without constraints, and often rely upon entrepreneurs to both finance and manage

their operations. With historical side notes from an international set of sources and real-world exemplars that run throughout the text, this book is a future-facing resource for scholars in economics and finance, as well as the academically minded valuation practitioner.

"This book belongs on the bookshelf of serious students of business valuation because it presents forward-looking concepts that will most likely become generally accepted business valuation practice as our profession continues to evolve. For those with a penchant for research, this book provides a cornucopia of future research topics in business valuation. At a retail price of less than \$100, this book is a great value. The author, Mr. Anderson, should be commended for introducing novel valuation concepts to the business valuation community." (Gene A. Trevino Business Valuation)"This book clearly reviews the existing literature and shows the shortcomings of conceptual and practical methods that are used throughout the business and consulting world. It introduces fundamental changes that build up to an improved methodological approach and that significantly advance the 'science of valuation.'" (Fernando Torres, Chief Economist IPmetrics LLC)About the AuthorPatrick L. Anderson founded Anderson Economic Group in 1996 and serves as a Principal and Chief Executive Officer in the company. His recent books include Applied Game Theory and Strategic Behavior and Business, Economics, and Finance with Matlab, GIS, and Simulation Models.