

INTANGIBLE VALUATION

Key Considerations

With regard to the isolation of Intangible Asset (IA) value, these factors most influence the engagement scope and resulting fee:

1. FASB 141 and 142 compliance
 - Due diligence for SEC and outside auditors
 - Numbers of reporting units within buying company
 - Impairment testing required
 - Overall business unit value
2. Industry of client.
3. Fiduciary disclosure/use of information.
4. Distinct number of assets to appraise.
5. How many approaches to value apply to each IA - cost, market, and income.
6. Extent and quality of historical financial performance and supporting documentation; new technology often lacks historical basis.
7. Ease or difficulty of separating IA cash flows from overall business.
8. General and specific market data for revenue projections, and number of market applications.
9. Detailed analysis of costs to replace; cost efficiencies as a result of the IA usage; on-going expenses to maintain and keep current the intangible(s).
10. Availability of reasonable royalty rates and market transaction data.
11. Extent of statistical and economic analysis required to define useful life for each IA.
12. Level of written documentation to be furnished, e.g. letter versus detailed report.
13. Necessity to provide for expert testimony, or other third party scrutiny.