

BEST PRACTICES



Thought Leadership
in Valuation, Damages, and
Transfer Price Analysis

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We dedicate this book to our current and former colleagues at Willamette Management Associates.

For nearly 30 years, we enjoyed the privilege of working with the most accomplished collection of thought leadership practitioners in our profession.

Many of these individuals still work “down the hall” from us. Some of these individuals have retired from practice. And, some of these individuals are now associated with other professional services firms. In any event, it has been a unique privilege to work with these thought leaders.

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Preface

First, we created this book to celebrate the 50th anniversary of Willamette Management Associates. Accordingly, this book was originally intended to have 50 chapters. As we began to write this book, more topics suggested themselves than could be included in 50 chapters. Nonetheless, this book is still intended to celebrate our firm's quinquagenary!

Second, as the title implies, this book is intended to present thought leadership. We selected topics for inclusion that we believed were worthy of thought leadership discussion. Most importantly, we selected topics for inclusion that did not already enjoy a thought leadership discussion in the current professional literature. For the most part, these are topics that we have researched, in the course of our practice, related to a client engagement. For the most part, we were not satisfied with the breadth or depth of the available literature on that topic. We usually concluded: Someone should write a paper on that topic. In this book, we did just that.

Third, also as the title implies, this book is intended to present best practices. In all cases, we tried to present the consensus of the current professional opinions regarding the topics discussed. When there were alternative professional opinions on a topic, we tried to present those alternative opinions. In the rare instances when the discussion recommends a *de novo* procedure or practice, we tried to make that distinction crystal clear.

Fourth, while this book does attempt to present best practices, it does not attempt to represent professional standards in any discipline. One central objective of this book is to reduce the diversity of analyst practices in the profession. However, this book attempts to add confidence to analyst judgment. It does not attempt to restrict or reduce analyst judgment. We have gone out of our way to avoid using words like "must" and "shall."

Fifth, getting back to the title, this book encompasses the three disciplines of business valuation, economic damages analysis, and intercompany transfer price analysis. Accordingly, the range of topics considered in this book is very broad. That range of topics is deliberately intended to reflect the range of professional services offered by Willamette Management Associates. Each professional discipline does not receive the same attention. Most of the engagements performed by Willamette Management Associates analysts relate to the valuation of businesses, business ownership interests, securities, and intangible assets. Therefore, most of the topics discussed in this book relate to the valuation professional discipline.

Sixth, this book is not intended to be a principles textbook in any of the three above-mentioned professional disciplines. There are already several principles textbooks available in each of these three disciplines. This book is not intended to be read from cover to cover (like a principles textbook would be). In contrast, this book is intended to be an anthology of related discussions—and particularly related discussions not found in most principles textbooks. For the most part, each chapter is intended to present a stand-alone discussion of the current thought leadership on the indicated topic.

Seventh, we assume that the reader of this book has already read principles textbooks related to business valuation, damages measurement, and transfer price analysis. We also assume that the reader is already familiar with the principles of accounting, economics, finance, and property appraisal. That is, this book is written by experienced practitioners for experienced practitioners.

Eighth, as a practitioner-oriented book, the discussions are intended to present analysts' practical solutions to analysts' practical problems. This book does attempt to present the most current theory with regard to each topic covered. But, this is not a book prepared for or by academics. Again, it is a book prepared for and by analyst practitioners. Our perspective is this: We encountered this client problem in our practice. We researched the problem. Based on our research, and based on extensive discussions with professional colleagues, we solved this client problem. Here is how we solved that problem!

Ninth, thinking of professional colleagues, the genesis for many of the chapters in this book were discussions published in our firm's quarterly journal *Insights*. Many of our current and former colleagues contributed to those *Insights* discussions. In addition, many of those current and former colleagues suggested *de novo* topics for inclusion in this book. In either case, we are indebted to the foundational contributions of these colleagues.

We truly recognize that we are like Alexander III of Macedon (often called Alexander the Great). Of course, we do not rule over a great empire (although we believe that Willamette Management Associates is pretty great!).

Rather, we have learned from those who came before us. Socrates taught Plato who taught Aristotle who taught Alexander. We have learned much from the thought leadership of our current and former colleagues. However, to the extent that there are any errors in this book, they are solely our responsibility.

Tenth and finally, a significant portion of the Willamette Management Associates practice involves analysis related to litigation and other controversies. Like our other books, we understand that lawyers will read this book in an attempt to find some discussion that contradicts a current analysis or opinion. However, the words that the lawyers will miss are the words that we want to point out to fellow practitioners. Practitioners will note that this book is replete with words like “typically,” “usually,” and “often.”

That is as definitive as most experienced practitioners want to become in most situations. This is not because experienced analysts are concerned about litigation cross examination. Rather, this is because experienced analysts understand that there are always situational exceptions to even generally accepted approaches, methods, and procedures.

Valuation, damages, and transfer price analysts follow professional standards and practices. In addition, they apply professional judgment. That judgment allows them to deal with those situational exceptions. In good measure, the discussions in this book deal with such situational exceptions. In the case of standard analytical situations, the analyst would not need this book. Rather, the analyst would apply the valuation, damages, or transfer price procedures described in the principles textbooks.

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