Asset-Based Valuation

Accounting & Finance

Valuing from the balance sheet, and when it is the right basis.

Book value

- Historical cost less depreciation
- Ignores internally generated intangibles
- Understates appreciated property
- Simple and objective
- A floor, not a valuation

Adjusted net assets

- Assets restated to market value
- Unrecorded liabilities added
- Intangibles valued separately
- Requires judgement and evidence
- Suits property and investment firms

THE DIFFERENCE THAT MATTERS

Asset-based methods suit asset-heavy or loss-making firms. They badly understate service businesses.

Liquidation value assumes a forced sale and is lower again. It is the floor beneath the floor.