



ASSET BASED VALUATION



Asset Based Valuation vs Business Valuation

In a conventional DCF, you value a company by discounting its cash flows as a consolidated entity at the cost of capital for the entity to arrive at a value. In asset based valuation, you value the individual assets of the company by discounting the cash flows on each asset at a discount rate that reflects the risk of that asset.

- a. Which approach will be more precise?
- b. Which approach requires more information?

Sum of the Parts versus Company Valuation

In a sum of the parts valuation, you value the individual parts (businesses) of a multi business company separately and add them up. If you plan to buy the company and break it up, which of the following would you want to see?

- a. Sum of the parts = Value of the company
- b. Sum of the parts > Value of the company
- c. Sum of the parts < Value of the company

Explain the cause(s).