



Newsletter

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About TAG-Value

As a member of TAG-Org, Abu-Ghazaleh Valuation (TAG-Value) is an international valuation and consulting firm with offices spanning the Middle East and North Africa, and a network of associates and representatives that spreads to Asia, Europe, North and Latin America. TAG-Value's expertise covers a complete range of services that include Valuation, Due Diligence and Financial Modeling.

TAG-Value was established at a time when the valuation profession was still in its early stages of development in the Arab region. Since the early beginnings, TAG-Value has consistently been spearheading the efforts to develop the framework of valuation services worldwide.

TAG-Value has an impeccable record of assisting and supporting governments, public institutions and non-governmental organizations in raising the levels of awareness of the importance of business valuation and the valuation of intellectual property in several Arab countries such as Syria, Lebanon, Tunisia, Jordan, Saudi Arabia and the United Arab Emirates. We offer the business community an array of services aimed at delivering sensible

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and tangible solutions, derived from experience and combined with sound judgment. Our team of professionals has extensive experience in providing efficient solutions to any situation covering nearly every industry sector.

Source: Abu-Ghazaleh Valuation Co. Manual for Business Valuation.

Main Valuation Approaches and Methods



Determining the value can be done by different valuation approaches using professional valuation tools, in order to come up with the fair value in accordance with the International Valuation Standards one must make sure to use the most suitable approach.

Income Approach

Discounted Cash Flow (DCF) Methods: The most income-oriented approach. The DCF is mostly used in case of collateral finance, M&A, and buy and sell transaction. DCF is based on the theory stating that the total value of a business is the present value of its projected future earnings plus the present value of the terminal value. In order to appropriately apply the discounted cash flow method, the following steps must be done:

- Estimating the future cash flows generated by ongoing business with regard to revenue, cost analysis, capital expenditures,

debt finance, foreign exchange gain or loss, working capital and normalized income statement.

- Determining the discount and capitalization rate that takes into account the risk inherent in the country and industry entities.
- Estimating the annual growth and its life expectancy.
- A terminal value is often determined at the end of the last year of the projected period. The terminal value that is often used is merely the fifth-year earnings projected into perpetuity.
- Determining the initial fair value of the entity or the fair value of the shareholder's equity.

The Capitalization of Earnings Method: Is most appropriate when the company's current and historical earnings can be reasonably considered indicative of its future operations. Furthermore,

this method can be used to obtain an indication of value, as it mostly gives a value lower than the discounted cash flow method, where the discounted cash flow method represents most appropriate method for companies that generate profit.

Multiple of Discretionary Earnings method: A key income-based valuation method for small businesses that establish the business value as a multiple of an economic benefit adjusted for net working capital, non-operating assets and long-term business liabilities.

Asset Approach

This approach is referred to as “The adjusted net assets approach” it is an asset-oriented approach normally used to value a business based on the difference between the fair market value of the business assets and its liabilities.

Depending on the particular purpose or circumstances of the valuation, this valuation method should be included in consistent with valuation purposes, nature of the company, capacity of earnings and other factors. As for the real estate, machine and equipment assets they should be appraised by specialized appraisal.

Capitalized Excess Earnings Method: Is a combination of the asset and the income-based approaches that lead to a more subjective value. Its theoretical premise in which the total estimated value of a business is the sum of the values of the adjusted net assets (based on fixed assets appraisal report) plus the value of the intangible assets. The determination of the value of the intangible assets of the business is made by capitalizing the earnings of the business that exceed a reasonable return on the adjusted net assets of the business.

Market Approach

This is one of the most important valuation approaches, which is connected to market-data. The first step in this approach is calculating the future estimated net income (after-tax) to be produced by the company. After that capitalizing these earnings using a weighted-average, comparable Price/Earnings ratio of publicly traded companies, furthermore, applying other multipliers, such as Price/Sales, Price/Cash flows, Price/EBIT, and Price/EBITDA, these multipliers should be taken into consideration if appropriate and applicable.

Source: Abu-Ghazaleh Valuation Co. Manual for Business Valuation.

Abu-Ghazaleh: Transformation from Traditional Auditor to Smart “Audit Tech” Program

MANAMA - The International Arab Society of Certified Accountants (IASCA) held the 6th International Professional Conference entitled “The Future of Accounting Profession in Light of the Knowledge Revolution” under the patronage of HE Mr. Zayed bin Rashid Alzayani, Minister of Industry, Commerce and Tourism of Bahrain.

The Conference was held in the presence of HE Dr. Talal Abu-Ghazaleh, IASCA Founder and Chairman, Mr. Abbas Al Radhi, Chairman of Bahrain Accountants Association, Mr. Khaled Awwad Mousa, Regional Manager of OFIS Soft Company (Diamond Sponsor of the Conference) as well as a host of representatives of Arab professional organizations, banks, financial institutions and researchers. In his opening speech, Alzayani



stressed the importance of maximizing the use of modern technology in the accounting and auditing fields due to their significant role in boosting the economy, and the impact of financial statements and their quality on economic decision-making.

Meanwhile, the Minister highly commended the role and efforts

exerted by Dr. Abu-Ghazaleh in developing this profession. For his part, Dr. Abu-Ghazaleh said that the Conference represents a roadmap on how to benefit from technological advancement in the accounting field and the anticipated influences upon their use.

Furthermore, Dr. Abu-Ghazaleh explained that the conference aims at



developing professional knowledge and skills, expanding the use of Information Technology (IT) mechanisms and exchanging knowledge and expertise in the accounting profession, in addition to enhancing the professional relationship among Arab accountants to meet the requirements of economic development and encourage investment in the Arab world.

Moreover, Dr. Abu-Ghazaleh affirmed that “in the next 20 years, the auditing profession will be transformed from the ‘Human Auditor’ to the ‘Audit Tech’ program which will be more accurate, fast and capable of detecting errors and irregularities.”

According to Dr. Abu-
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Ghazaleh, the Audit Tech program will be based on International Accounting Standards, International Standards on Auditing and Audit Programs noting that competition between companies and auditing offices will be centered on the quality of their program.

Additionally, Dr. Abu-

Ghazaleh stated that “in the transitional phase, the ‘Audit Tech’ will be defined as ‘The Auditor’ and the human auditor will no longer exist, however, human auditors will become technical experts who are required to submit results through the ‘Audit Tech’ program along with their observations, conclusions and recommendations.”



“Three decades ago, in my capacity as a member of the International Federation of Accountants in New York and the International Accounting Standards Board in London, I managed to change the name of “International Audit Guides” to become the “International Standards on Auditing”, after my demand to change the definition of the accounting profession to become ‘the tool for economic decision-making’, rather than limited to ‘a profession for the preparation of financial statements and businesses outputs.’”

Dr. Abu-Ghazaleh called for changing the objective of the ‘Audit Tech’ to become ‘providing options and suggestions in economic decision-

making to improve the financial institution of an enterprise using the potentials and capabilities of Artificial Intelligence (AI)’, urging the Arab and international professional community to promptly transform to the Audit Tech program.

Dr. Abu-Ghazaleh concluded with his call to establish a committee of experts at Talal Abu-Ghazaleh Organization to accomplish this transformation by 2022 at the latest, so as to become the first audit company successful in achieving this transformation.

It’s noteworthy to mention that the Conference focused on two main topics including the impact of the Information Technology Revolution on the Accounting and

Auditing Profession, Development of Accounting Programs and Digital Accounting. The Conference also shed light on the importance of Knowledge Management and its relation with IT, its Impact on Accounting Qualification as well as the need to adopt international guidelines for the accountant qualification requirements.

Participants also discussed the role of Information Technology as the main drive in improving comprehensive business quality and knowledge management which has led to significant change towards accountants’ new goal to become more proficient in their work and to meet the developments of their profession efficiently.

Talal Abu-Ghazaleh University College for Innovation Establishes Branch at Palestine Technical University - Kadoorei



AMMAN - Talal Abu-Ghazaleh University College for Innovation (TAGUCI) signed a Memorandum of Understanding (MoU) with Palestine Technical University - Kadoorei for the establishment of a TAGUCI branch at Kadoorei and enhancing future cooperation in fields that boost development of the higher education sector.

The MoU was signed by HE Dr. Talal Abu-Ghazaleh and Prof. Noor Abu-Rub, the President of the University, in the presence of Dr. Derar Eleyan, President Assistant and Dean of TAGUCI, Dr. Muntaha Bani Hani.

During the meeting, Dr. Abu-Ghazaleh affirmed the importance of this partnership for him personally and for TAG-Org in general, noting that the University College will open its doors to all Palestinians.

Dr. Abu-Ghazaleh stated that signing the agreement comes in conformity with TAG-Org's role and aspirations in developing accounting and consulting services, as well as advancing technology, training, education, Intellectual Property and Information Technology to keep abreast with the global level and make such aspirations a reality in Palestinian society.

For his part, Prof. Abu-Rub expressed his pride and admiration at partnering with TAG-Org; the global knowledge organization,

pointing out that selecting Kadoorei to host TAGUCI's branch will enable the Palestine Technical University to offer distinctive educational services to Palestinian students.

The agreement also stipulates the enhancement of the level of knowledge exchange, implementing joint programs, strengthening cooperation in scientific research fields, and striving to find job opportunities for holders of university certificates, in addition to holding joint workshops and training courses.

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