A Survey on Enterprise Opportunities and Analysis of Technological Startups and Valuation

Anandakumar Haldorai and Arulmurugan Ramu
Department of Computer Science and Engineering, Sri Eshwar College of Engineering, Coimbatore, India.

Abstract - Enterprise technological start-ups represent the newly created firms with the possibility to rapidly develop and assume liquidity in the next few decades. The main purpose of this mode of expansion is to enhance finance development over considerably limited collateralizable fiscal assets. However, this is considered unattractive from the ancient banking corporations which have now been replaced by more sophisticated and specialized intermediaries such as the private equity funds or the venture capital that diversify business portfolios in reference to their strategies on multi-annual exit with firm projected increment in investment value that endured the Darwinian selection. In that regard, this paper conducts evaluation of firms and reviews their technological start-ups following traditional approaches, flanked based on certain elements derived from multiple-exit methods and varied probabilistic scenarios. The technological footprints showcase the evaluation analogies with know-how, intangibles and patents that are connected to certain sectors.

Keywords - Internet of Things (IoT); Technological Start-ups; Value Chain; Business Model; Fiscal Intermediation; Digital Platforms.

1. Introduction
The terminologies ‘private equity’ and ‘venture capital’ are utilized to illustrate the availability and provision of the equity capital and its flows from certain operators to the unlisted corporations with development potential and high business growth. The major assumption of this business activity is the acquisition of the considerable shareholding in the start-up’s enterprises in a long-term perspective. The purpose is to obtain the capital gain on the kind of sales for the shareholdings. As such, private equity denotes the kind of operations done during the enterprises’ lifecycle and its subsequent stages based on the first one, whereas venture capital represents the kind of investments done by the enterprises’ initial stage of the business lifecycle; for instance, the technological start-ups. The kind of capital invested might be allocated to different business projects, such as strengthening the fiscal structure of companies and to expand the working capital of a corporation. The private equity might be utilized to mitigate the issues connected to the structure of ownership in the business or to undertake the process of business restructuring. Moreover, private equity is essential as a tool for management buy-ins and management buy-outs. The venture capital investments have some merits for the targeted corporations.

Firstly, the business operators provide corporations with the chance to exploit their professionalism in the sector of fiscal support to enterprises purposed at creating considerable value over a specific duration of time. This implies that the corporation will be capable of utilizing the kind of capital made available for the considerably lengthy duration of time which is sufficient to undertake business projects (which also includes business acquisitions, novel development of products, adjusting business strategies and industrial re-organization). The contribution of institutional investors is somewhat not limited to the provision of capitals for risk coverage, but typically provides the corporation with its managerial skillset to attain the business project. The institutional investors might also take advantage of the expertise of sophisticated and diversified entrepreneurial realities which is referenced from the sectoral skillset matured to manage similar enterprise investments. These experts have specified skillset to which companies might have recourse. Based on the concerns of operators, there are two critical forms of risk capital investors:

- The former is mainly issued by insurance companies, banks, pension funds, large corporations (i.e., corporate venture capitals) and the more specialized investment sectors. The business angels, contrary to that are the ‘traditional investors, with incredibly personalized assets that have been acquired on an individual level or shares for the small and medium companies or club deals with high growth for better business activities [1]. In this process, the business angels act to effectively develop the personal relationship with entrepreneurs being financed and focus on the start-ups or initial business development. The private equity represents the financial tool via which
the investors provide novel capital to the enterprise (target) which has not been listed on the stock exchange, but also has good growth capability. However, it is essential for the enterprise’s management to be involved to accomplish the shared strategies and to contribute to the financial resources. The investors purpose is to disinvest in the mean term, hence realizing the capital achievements from the shareholding sales.

The private equity funds represent the kind of investment vehicles which operate as the ventured capital (high risk-innovative start-ups) based on the leveraged buyouts with the debit acquisition. The developing attention of the private equity is based on the combined business factors which include the return of funds or the ones higher compared to the public equities and the stock market [2]. This also includes the modest correlation in business with a fundamental diversification of risks in case the investments in the private equity funds are incorporated in the bond and equity portfolio that have been represented in the listed securities. In locations where the private equity has had minimal impact, for instance, Japan and Europe, the investors are allowed to access these private equities through funds of investors’ funds, with more intermediate investments which are meant to diversify the funds; however, they lead to an increment in fees. Governance problems have a considerable effect in cascading the funds but also amount to an increment in the fees charged and the fund’s portfolio for a particular company.

This represents the investment objectives sought when they have the features suitable for these forms of investments which includes the dilution of shareholding structures (reference shareholders who are placed in better position to enjoy the private funds and other potential benefits of equity control), the availability of the more independent directors, the voluntary management and production of quality data and protocols for safeguarding of corporate minorities and democracy. The limited partners and members are given an opportunity to allocate particular partners of the management corporation and invested; whenever the capital has been liquidated, the shareholders and partners share them among the general member. The institutional investors (funds of funds, hedge funds, investment funds and pension funds) consider the private equity funds with more advanced corporate governance which is capable of controlling the issues of interest between the shareholders and the stakeholders and also help minimize the agency costs that have been high in the private equity-fund sector for a very long time. In the Hype-Cycle framework, there are five fundamental phases in the technological application lifecycle of a business application: triggering the innovative business activities; peak inflationary expectations; disillusionments; ascending curves of enlightenment and the productivity plateau. The remaining sections of the paper are organized as follows: Section 2 discusses the background analysis of various forms of business investments whereas section 3 evaluates the aspect of financing for development and expansion. In section 4, a critical evaluation of the investment process is done. Finally, section 5 ends the paper.

2. Background Analysis of The Kinds of Business Investments

2.1 Bankability and Intermediaries

The institutional investors and the financial intermediaries included in the start-ups normally varies from the kind of business investments, fundamental for conventional. This is what happens with a series of factors which include the youthful age of enterprises that do not have the history of previous business score. The performance score in business is an essential factor of business creditworthiness. Another considerable and distinctive element of business start-up is the composition and nature of assets which is normally represented by technological investments that tends to take many years to affect the income statements featured by the generalized high-levels of risks. These levels of risks are normally the modest collateral values that are associated. It is not a surprise that the banking intermediaries which have been present for decades now are typically far from the present technological advancements. As such, users are not familiar with the fiscal characteristics of such financial establishments. This also considers the capacity to repay the debts which might only have their influence in periods which tend to be short and normally once in a while, over the period that the business goes through what is known as the ‘valley of death’.

The ‘valley of death’ is the duration or phase when the business runs out its capital and enters to a ‘cash burn-out’ and an ‘equity burn-out’, without activating the effective revenue framework which ensures sustainability. The business investments in start-ups that include the intrinsically risky funds do not permit the lenders who have subscribed to standardized debt to consider profit-sharing and upside option which are of either the subscribers of the quasi-equity liabilities or the shareholders (direct subscribers of the risk funds). The implication of bankability is normally not insignificant to the extent that just the specialized intermediaries like the private equity funds and the venture capital tend to aid in the business start-ups which only after having attained a phase of consolidation and maturity might access the traditional credits [3]. There are various forms of investments which institutional investors might make and these depend on the various phases of the business’ lifecycle. Every phase of the business’ life is correspondent to the various needs that have to be put into consideration by the institutional investors during the process of intervention conduction. These forms of interventions of the sophisticated and specialized operators might now be classified or grouped into three fundamental classes: start-up financing, expansion/development financing and transitional financing. The venture funds are meant for the first-class financing, whereas the private equity is meant for the remaining two categories. The forms of investments are also dependent on the kind of business performance the targeted companies record that gives negative results in the earliest years and this is linked to the kind of business
start-up being made which then grows and recovers in the medium term (which means not to endure the Darwinian Selection). The performance of investment is also based on the kind of performance of the venture capital and the private equity funds that might follow the yield curve (based on the internalized rate of return) which is known to be the J-Curve dependent on the forms it assumes [4].

2.2 The Start-up Loans and the Venture Capital Activity

In this class of intervention, we can differentiate and define the various forms of actions which the venture capitalists might decide to follow. As shown, the demand for intervention is considerably structured through the inscription of a detailed business plan to various institutional investors from business partner that purposes to create a new firm, establish a new product, a new technology or service. What business partners or individual entrepreneurs need is not just the amount of capital that is present for investment, but all the essential contributions detailed above and the ones which can be made based on entrepreneurial competence and ability in showcasing a detailed competitive strategy. In more defined terms, it is appealing to evaluate the various forms of interventions which capture the aspect of capitalist and how they might be implemented, dependent on the kind of business development of novel business reality being made. To make this possible:

- We discuss seed financing or the basis of financing and the business ideas that the investors intervene in their earlier testing and conception stages of novel products that exist at the idea level. The kind of skills that the investors possess are considered to be managerial, scientific and technical i.e., purposed at practical transition of business ideas. It is more obvious that the risks linked to this form of investment is considerably high and this amounts to the assumption that fiscal contribution are made to the ideology that is typically not too significant [5]. Nonetheless, with the considerable risks of business failure, the projected returns are considered too high.

- Conducting research and development which is a fundamental financial effort that avails funds for financial development of novel services and products in the new corporation and the businesses that have already been established.

- Start-ups are therefore provided to fully enhance the process of business development in the services and products and also to facilitate initial advertisement. This has already passed the tests (albeit the levels of prototype). Enterprises being financed are in the organizational stage, since the status for the business development is already in existence, even though the products have not yet been put into the market. The issues are still considered more technical and the features of the operators in business are considered more fundamental as the prior case.

- Lastly, the first stage level of financing is permitted to corporations which have utilized their initial capital in the process of testing the prototypes in the market and require the funds to launch the large-scale sales and production. It is relatively easier to comprehend that the knowledge essential for business venture is not of more technical nature at this phase; hence permitting intervention to the investors who do not have certain experience in the business field, they bear strong qualities of market development and analysis of the basic business strategies.

3. Financing for Development and Expansion

3.1 The obligation of the private equity and bridged financing

The second class of business investment, also referred to as the development capital investment or expansion financing, historically signifies the most essential segment of private equity. These are the various interventions which the institutional investors make when the asking enterprise is facing some issues related to business development. The frameworks that the enterprise can utilize for this aim are:

- Diversifying or enhancing the capacity of business production.
- The acquisition of other business units or companies.
- The incorporation of other enterprise realities from the perspective of economic development and not the legal perspective.

Nonetheless, it is effective to note the class based on a series of various forms of interventions, connected to the business developmental stages of businesses, amount which has been pointed out.

- The second-phase of financing is shown by the working funds and capital for the initial development and expansion of the business which sells and produces its products. This also has increasing receivables and the kind of goods which are in stock already.

- The third-phase of financing happens when the private equity company grants capital to facilitate the expansion of firms which have already exceeded or reached the break even point and the one whose turnover is developing. These business funds are utilized to finance particular purchases such as additional plants and machineries, market research or the development of the available products which also have to be approved.

- Bridge transition or financing is provided to an enterprise whose purposes is to be listed in the stock of exchange within the fiscal year. This form of investment which might be grouped as the operation of interventions of the risk funds signifying the bridge financing between
companies with closed capital and the futuristic listed companies. Bridge financing is normally structured in such a manner and is being repaid by the proceedings of public subscriptions. However, this might be restructured based on the positions of fundamental shareholders based on the secondary transactions whenever these investors purpose is to minimize or liquidate business shares.

In the cases discussed above, financial operator intervention is certainly complex compared to the start-up stage. This is considerably clear when we focus on the idea that the institutional investors will consider the negotiations with the higher numbers of shareholders who might have more divergent interests [6]. Secondly, the business to be financed already bears its history that stimulates the investors to evaluate the comprehensive preliminary business evaluation.

3.2 Financing for Transition and Transformation of Ownership Structure

The transition of turnaround financing, venture purchase, buyouts and capital are included in this stage. The transition process within the business might be sponsored with the replacement funds or other types of interventions. The core reasons are different, even when they generally amount to the substantial transformation in the business ownership structure of the industries. Corporations which have recourse to this form of financing, find themselves in the stalemate stage that typically brings the necessity to rethink the business structure. At this moment, it is advisable to evaluate both the major cause which might amount to this form of operation and the varied intervention methods of implementation by the institutional investors.

- The first scenario is connected to the condition in which there is a transformation in the social composition of the targeted company and more precisely it denotes to the instance whereby more than a single shareholder wants to quit the business that is known as replacement capital, there is no issues connected to the transformation in strategy of the industry [7]. This condition happens above the presence of the generational spare parts which means that the successor might no longer believe in the entrepreneurial projects to liquidate the shares.

- The condition is varied in which it is not many shareholders, but majority shareholders that purpose to quit the company. There might be various reasons amounting to this condition, even when intervention of the institutional investors is always purposed at financially supporting the novel entrepreneurial groups in the purchasing of the targeted companies, therefore favouring the transition of ownership structure. Nonetheless, the transaction in query represents the segment of more generalized category in the buyouts to which different forms of transactions are grouped. We can discuss about the business management buyouts, if it is the management groups in the company to assume the management or control buy-in, if it is considered the external group being taken over. In case the institutional investors favour the engagement of employees of the business itself, this is known as the workers’ buy-out.

- The operation that has happened mostly over the past year decades, it known as the venture purchase of the quoted share and happens to assure the company’s chances of being delisted. In this condition, the investors purchase through the launch takesovers’ bid, more directly to the marketing of securities present to permit delisting and utilize managerial knowledge in restructuring the business.

- Lastly, there might be the need for business restructuring when the company undergoes corporate crisis that normally necessitates the transition in the composition of the business structure. The operations which the institutional investors operate in these three scenarios are known as turnaround financing and normally the only manner to save loss-making businesses that require relaunching.

4. Investment Process

After analysing the overall elements of the venture capital activities and the private equity activities as shown in Figure 1, including the various approaches by the corporate investors, it is essential to concentrate on the stages through which the process of investment is considerably structured. The first stage includes the identification of the targeted business. This is the phase that is certainly problematic in the world, since the opportunities of investment are not accessible to the investors directly where these entrepreneurs look for assistance from institutional investors. In Italy, this does not happen hence making it essential for the operators to look for informal contacts and potential clients. At the end of this business activity, after identifying the most interesting investment opportunity, operators will have completed the analysis of in-depth profile and description of the targeted corporation [8]. At this moment, we arrive at a delicate phase of the complete process that incorporates the most delicate evaluation of the business and the system of operation. Moreover, to the overall business characteristics of entrepreneurs, other essential business factors are considered as well: the position of the market in the business; the potential development and the value of the business; technological abilities and the potential diversification of the shareholders. In case this evaluation forces the investors to make informed decision concerning their business investments, the investors will be interested in the overall operation structuring based on the method and time of business execution, but mostly based on the enhancement of entrepreneurial participation [9]. This will be succeeded at this stage of business negotiation and purposed to effectively define the product price, whereby the decisions concerning the time of
disbursement of loans and how they should be repaid will be fundamental. This might range from the capital increment to the purchasing of the potential shares from old business partners. After the business has acquired the required participation, investors will need to monitor the business operations based on the trends of the investee business in a more constant manner to effectively resolve after detecting any issues in time. It is also fundamental to remember that at this stage, the investors might directly contribute to the business management process of the targeted company with its managers. The final phase is also essential in the complete process and includes more divestment and the potential outcomes that determine the loss and profit of the institutional investors [10]. The divestment operation is critically planned, in its timing and manner of the moment of launching the initial investment, although the initial projects normally undergo inevitable transitions, always in the connection to the business objectives and what the investors purpose to achieve in the process of maximizing the return on investments.

4.1 Value Chain
The value chain in the risks’ intermediation of capital in the availability of data debt constraints and the data asymmetries is considered as well. The technological start-ups or the ones with the core business in the other innovative segments with the potential growth prospects are meant to obtain the fiscal resources essential for the application of the business plan, based on the attainment of the fiscal break-even, turning to the traditional credit channels which is capable of offering limited financial guarantees [11]. These are normally insignificant credit channels that have been collateralized and considered uncertain and distant as a result of the corporate risk profiles which are typically high and based on the payback time of loans. In that case, the necessities to focus on the alternative financial resources that share the enterprises’ risks in the non-contingent time aspect and aligned with the product development cycle are also based on the business model. The value chain in business capital and intermediation is considered based on the aspect and projections to deal with the data asymmetries between the potential shareholders and the historical shareholders (private equity funds and the venture capital funds) [12]. This problem of conflict of interest between the future and the existing shareholders following a capital increment which has widely been evaluated in research, whereby:

- The managers of every enterprise have sufficient knowledge of the present incomes and the investment chances compared to other external investors in the company.
- The managers operate based on the interests of the present shareholders.

The availability of data asymmetries and the aspect or behaviours to act according to the interests of the present shareholders implies that the managers who develop or discover the profitable investments and their initiatives are capable of channelling good news to shareholders that are priorly afraid to take advantage of the new capital at a higher price considering the unfair wealth transfer process.

Fig. 1: Financial and economic performance of the venture capital firm.
to the old shareholders. Managers in contrary to that, have the incentive to link-up good news which are meant to raise the price of the stokes (that are connected to the stock options and other relevant incentives). When the business members are given a chance to tell if the incentives are false or true it provides the shareholders an opportunity to acknowledge the subscription of the shares at a discounted price contrasted to the considerably hypothetical equilibrium value with no informative asymmetries [13]. The managers have the capacity to comprehend these issues in other instances which puts them in a position to consider entering into new investments, even when they are termed as more profitable and only financed based on the issuance of the risk capital. In case the capital increment happens at a lower price, there is normally an unfair transition of wealth to the new shareholders.

The paradoxical effects of the Myers’ framework are that whenever the investment project cannot be sponsored using individual-financing or the debt issuance, there is disincentive for the historical and management shareholders to undertake the profitable novel investment projects; there is thus the under-investment which does not permit value to be formed. The venture capitalists represent the intermediaries performing this basic function, mostly in the capital rationing aspect where the usage of bank credit or any other alternative financing means are used. The capital rationing phenomena happens with significant intensity and frequency in the negative market condition, whereby the rate of interests is considered limited (which are meant to stimulate the recovery of the economy and are also considered as the low bargaining powers of employees to avoid feed inflationary spiral with stock pricing) [14]. At this moment, we visualized the frequently global credit crunch phenomena whereby the low interest rates differentials are based on borrowing and lending connected to the increment in loan riskiness (which is induced based on the low growth economic cycle or the recessionary cycle). This represents the disincentives for the financial institutions to issue loans that are considered profitable and featured by the potential non-performing loans which might influence capital soundness ration.

4.2 Prospective Evaluation

The prospective evaluation of the projected company (venture-backed) and the critical peculiarities of cash flows and the business start-ups are based on the prospective fiscal data. Prospective fiscal data is centred on the assumption connected to the events which might happen in the future and any other essential actions run by a business entity. Based on this aspect, the prospective evaluation of the targeted enterprise is considered as a fundamental action in screening of the venture investments for capitalists, purposed at a strong increment in the projected value of the investee corporation. The projected capital incomes should be:

- The lengthier the initiatives are at its early stages, the lengthier the maturity cycles of the enterprise model are extended.
- Discounted at rates which considers adequate risks and the marketability discount absence for the unlisted and typical corporations.
- Effective to launch possible terminal investment values which are discounted to re-express current currencies.

The projected remunerations of the targeted industry should be high to make sure that the adequate returns for the venture capitalists, based on the chances of failure of these investments which in most cases includes the complete write-off of the holdings [15]. A lot of companies, in the first years of business cycle produce considerable financial flows which are considerably negative. These are derived based on the idea that is recurrent of the start-up costs and the consequent cash exits which is anticipated based on the accomplishment of the business achievements in terms of revenues and the relative business collections. There are a number of characteristics which in start-ups are considered in reference to the intangible drivers of financial values (which are transformed to the traditional forms of the business) which include:

- The financial operations tend to be non-existing or modest over a long duration of time (mostly when investments are high and attain a specific profitability threshold for medium and long-term).
- Monetary costs of operation tend to be higher irrespective of the outsourcing (which is limited to create them as flexible) and due to the leasing fees.
- The lower level of the indebtedness aspect, which EBITDA is considerably in line based on the operating loss, normally in the start-up stages which is projected to last for a few years.
- The significant prosperity of the stakeholders (employees, managers and directors) to be sponsored using the stocks comprising the monetary costs of operations and their increase based on the risk capital.
- The availability of the significant fixed cost (that tends to be projected as the business entry barrier enhances) for the start-ups based on the variable expenses that are considerably higher compared to the variable costs that are limited to the traditional enterprises. Thus, the ballast effects on cash flows might be transformed whenever the break-even between the costs of operation and the revenues attained in the flywheel generating higher liquidity to reverse the operation leverage.
- Taxes (both operational and non-operational) that tend to be lower than zero, in the availability of the negative taxable incomes (that generate the aspect of carrying the losses over to the fiscal years).
The cash flows of the area of operation are consequently negatives in that matter, even for the fundamentally significant amounts.

The trade receivables consider the trends of revenues operations and thus consider non-existing or modest.

Warehouses are considered virtual and this do not absorb any fiscal resources.

Supplier based on the trends of costs of operation.

The operating net workable price tends to be considered negative and thus represents the funds being sourced.

The transition in the fixed assets tends to be significant and positive for the novel investments (and based on capex).

The operating cash flows are typically negative and are financed by the workable capital and the risks incomes.

The fiscal debts are negligible due to the fact that the risk profile of the business can be considered higher and the size is connected with limited outflow of cash for the fiscal charges.

The residual cash flows have been attributed to the potential stakeholders, since these cash flows are typically negative. These stakeholders will be required to place their hands on the portfolio until the moment the financial break-even is attained.

4.3 International Private Equity Venture (IPEV) Guidelines

Business recommendations have been set out and projected to represent the present best practices in business and the evaluation of the private capital investments. These guidelines are applied over the complete range of the start-up and seed venture capital, development capital, growth/buy-outs, capital and infrastructure among others. These also provide the framework for valuing an investment by other companies which includes the private capital funds and the funds-of-funds. Moreover, the guidelines of evaluation have been structured and are compliant of both the US General Accepted Accounting Principles (US-GAAP) and the International Financial Reporting Standards (IFRS). In reference to the guidelines, the fair value represents the pricing that has to be received to sell assets in an orderly transaction between the participants of the market and the measurement dates. As such, this represents the amount that the asset will be exchanged between the willing groups and the knowledgeable group in the arm’s length transaction.

The measurement of the fair value assumes that the hypothetical transactions are meant to sell the assets which are considered in the principal market as an advantageous market for assets. As for the quoted (traded) investments, the existing market price will be exclusive based on the measurement of the fair value for an identical instrument. Contrary to that, for the unquoted investments, measurements of the fair values necessitate the values to be assumed as the real investments which are sold or realized at the date of measurement whether the investee or instrument company has prepared for the sales or not. Some of the funds invested in many tranches and securities of the same investee corporation. In case the market participant would project to transact various positions in the underlying investee corporation in a simultaneous manner, for instance, the separate investments made in Series A, B and C, the fair values would be projected for the aggregated investments in the investee corporation.

In case the market participants would be projected to transact in a separate manner, for instance, buying Series A which might exclude Series B or C, when the debt investment has been bought independent of equity, the fair value might determine appropriately for every financial instrument. It is fundamental that the fair value is projected based on the consistent valuation method from the date of measurement unless there are changes in the investment-certain factors and the market situations that might potentially modify the manner in which the market participants might evaluate value. The usage of the consistent valuation methods for the investments is the same elements geographies and industries which might also be projected. In choosing the most effective valuation method, the valuer has to utilize the valuation methods as every measurement date based on the marketing participants and their assumptions that determine how product value should be estimated. The valuation methods include:

- Marketing method: Industrial valuation benchmarks, multiples and the present marketing prices.

- The financial income approaches: Replaced cost methods, net assets and the discounted cash flow.

The pricing of the recent form of investment, in case amounting to the older transaction, mostly represents the fair value as the transactional data. As for the subsequent dates of measurements, the pricing of the most recent investments might be appropriate at the beginning points of fair value estimation. Nonetheless, adequate considerations have to be provided to the present circumstances and facts which incorporate the transitions in the market or the transitions of the investee business. The input of valuation method has to be calibrated to know the pricing of the more recent form of investment to an appropriate extent.

4.4 Estimation of Fair Value

In the investee business, the estimation of the fair value is essential. The valuation of the participating enterprises whereby the private equity funds are considered in the pre-suppose of enterprise valuation which is centred on many companies. The methodology of evaluation has been based on the type of business being evaluated. In
most scenarios where evaluation is based on service, commercial or industrial companies, evaluation methods – whether varied is dependent on the type of business and the ones adopted for these businesses. The overall consideration structure on capital-income, marketing empirical, income and capital methods are applied to the non-fiscal businesses with adaptation to the first company.

- The various business frameworks applied from moment to moment with the effects on value drivers, market aspects, strategic aspects and value chain.
- The fiscal statements (income statement, cash flow statements and the balance sheet), other than the fiscal enterprises.
- The availability of the accounting measures fundamental to the valuation which are typically varied from those of the fiscal companies: in service, commercial and industrial, EBITDA, EBIT, the overall fiscal position and other essential parameters which are not applicable in the accounting segment are normally considered.

In the analysis and evaluation of the targeted corporation, mostly when the evaluating the price of the enterprise, it is fundamental to consider the transition of the fiscal structure that is induced by the private equity funds; in this aspect, leverage the buyouts that are frequent can be done. The funds that finance a segment of the investment structure target business as indebted. Debt sustainability, also in connection to the business’ ability to structure the compatibility of novel business structures and plans formulated with contribution advice and featured by strategic orientations to the formulation of structural business value which is based on lengthening of the debt maturity.

5. Conclusion

The investment portfolio and valuation are based on the general value of assets. The venture capital valuation or the private equity funds should be structured about the model value of equity, whereby the marketing value of investment has to be incorporated and the structured book value of an investment is eliminated. The marketing value of an investment is centred on the general asset value and any other capital achievement over the book value which should be expressed where effective (whenever participation elimination is not applied) the overall potential taxation charge is applied. The equity investment value at a fair value based on the application of IFRS and IAS must amount to the financial trend over the disappearance of the variation between the book value and the marketing value of an equity investment. In this aspect, the shareholders’ book value and equity will reflect the marketing value of private equity fund or the venture capital.

References