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# values

**Values** *is an informational newsletter for attorneys who assist clients in answering valuation questions and claims adjusters who work to pay the proper amount of a claim.*

*More information is always better than less.*

*The trick is in knowing what information is most valuable to a claim.*


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## Is There Such a Thing as Too Much Information?

*Previously, we've spent a lot of time demonstrating the importance of gathering good information when calculating a loss. The two biggest tricks in our business are 1) Knowing how (and how much) good information to gather; and 2) Determining what's a reasonable amount of time over which to consider the information to be gathered. We'll talk information quantity this time – and follow up with the importance of considering time periods for our next issue.*

We're often asked if there is ever such a thing as too much information when calculating a loss. The short answer is 'no'. But you didn't expect us to just leave it at that, did you? After all, if it were that easy, they would all be the same and who would need a forensic accountant, right?

With the proliferation of electronic bookkeeping, the amount of business and financial information is almost unlimited. Many don't understand that the files provided by insureds from accounting software, like QuickBooks or Peachtree, provide layers and layers of financial information – everything from payroll, sales, expenses, inventory, etc. And, this information is not for just the current year, it can span multiple years. Today's businesses – large or small – have all of this information at the touch of a key stroke.

Collecting financial statements, sales tax returns or tax returns in addition to accounting information is the normal starting point in a business income loss case. **However, it's important to understand that these tools only provide a snap shot of the company. They do not always do a good job of portraying a proper snap shot of the event.** Daily sales information can be telling when it is just a few days of lost operations. These may even show how the sales were just deferred to a few days later.

Let's just say the amount of information can be overwhelming – that is, if you don't really know what you're looking for. An example:

Recently, we were hired to help determine the loss for an insurance claim from a grain elevator. Sounds easy, right? Look at the records and determine how much grain was in the bin. Then figure the grain price. Add some construction costs and viola! Well, if you have had any experience with the ag industry, you know it doesn't quite work like that.

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*Every industry and business has information that is specific to what they do. Experience and an understanding of the business are the keys to determining how to use that information correctly.*

*Common accounting software can provide in-depth information from multiple years.*

Consider the fact that within the same bin, one portion of the grain is owned outright by the elevator, who purchased it from a farmer. Another portion of it is owned by a farmer who is just paying a fee for the elevator to store the grain for him. Another fraction of the bin contains grain that is owned by the elevator, but the farmer hasn't been paid because he wants to delay his income for tax purposes. Then there's grain that has been contracted for futures trading … explaining the ownership of this could take up a whole newsletter in itself. **All of these activities result in varying revenue recognition; but, the grain elevator will eventually get the grain and realize a profit.**

Now factor in things like current harvest information, historical harvest times, and weather over the last few years. Analyzing more information usually leads to a better understanding of the flow of grain and if the grain elevator actually lost an opportunity or not. Historical grain prices, market trends, and grain premiums for specific traits will lead the farmer to a marketing decision much different from year-to-year. In this case, knowing more about what is in the bin and not necessarily on the financial statement is a much better indicator of the actual potential loss.

Layer this on top of accounting information on sales, payroll, expenses and other factors, it doesn't take long before what seems to be a simple insurance claim can leave you swimming in a mountain of information.

*And that's just for what might seem like a simple farm coop loss.*

In this case, grain prices were hovering around record levels and the storage bin at the elevator was almost completely full, but the farmers still owned most of the grain. The grain elevator led the insurer to expect a potential loss of a half-million dollars or more. By allowing us to leverage our industry experience and knowledge of the flow of grain and market, we were able to determine ownership of each of the four different grain ownership categories and determine the actual economic loss for the elevator – which happened to be just a fraction of the loss the insurance company anticipated.

*In this case – without gathering information AND knowing how to use key information gathered – the claim could have turned out much differently.*

**Can We Help You?**
Dale Cremers, Bob Holtzbauer and Roger Nearmyer have experience to help you address questions about forensic accounting. Please call for more information at 515-274-4804 or e-mail us at info@chncpa.com.