Book value vs. intrinsic value

Berkshire letters: 1992, 1994, 2018 · Difficulty: Intro

> *"The annual change in Berkshire's book value ... is a metric that has lost the relevance it once had." (2018)*

1. Total stockholders' equity is $600 million and 2 million shares are outstanding. What is book value per share ($)? **300**

2. Why can intrinsic value be far above book value?

   A. Book value includes market prices of all assets

   B. Liabilities are ignored in book value

   C. Book value is measured in future dollars

   D. Assets are mostly recorded at historical cost, and internally built value (brands, goodwill) is not recorded

Source: Warren E. Buffett, Letters to Berkshire Hathaway Shareholders: 1992, 1994, 2018 (berkshirehathaway.com/letters). Quotation © Berkshire Hathaway Inc., all rights reserved; reproduced in part for non-commercial teaching. Numbers in the questions are made up unless stated.