



Checklist – What To Do When Purchasing a New or Existing Business

Purpose

When purchasing a new or existing business you need to take extreme care and we strongly recommend you seek professional advice.

We provide you with the following checklist to assist you in the process and help in gathering the relevant information to allow for a thorough assessment.

Background Information:

(Please gather the following information)

1. BUSINESS NAME?

2. WHAT INDUSTRY IS THE CLIENT'S BUSINESS IN?

3. IS THERE A BENCHMARK FORMULA FOR VALUING THIS TYPE OF BUSINESS?

4. WHAT ARE THE FUTURE PROSPECTS OF THE INDUSTRY OR BUSINESS – STRENGTHS / WEAKNESSES / OPPORTUNITIES / THREATS?

CHECKLIST

- | | | | | |
|--|-----|--------------------------|----|--------------------------|
| 1. Complete business background questionnaire. | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 2. Request a copy of contract of sale. | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 3. Request copies of previous three years tax returns and financial accounts from accountant including reports of the following where applicable. | | | | |
| • Balance Sheet | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Profit & Loss | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Sales Turnover | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Debtors (including age trail balance) | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Creditors (list of outstanding payments) | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Work in Progress (at valuation) | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 4. Does the contract breakdown the following: | | | | |
| • Goodwill – including business name. | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Stock – an itemised stock schedule should be provided. | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Assets – is there a breakdown of plant and equipment, furniture and fittings, computer systems and software. (We recommend you obtain a detailed list of all assets and how much you are being asked to pay for these) | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 5. Do you have details of the existing lease (if applicable)? | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 6. Have you contacted the local council and or authorities (if applicable) to undertake a search in relation to potential development of your location which may impact on the business? | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 7. Contact a solicitor to review the contract and assist with other issues in relation to leases and purchase of the business. (Protecting your investment is extremely important and we recommend you obtain legal advice.) | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 8. Request details of all leases that you will acquire including: | | | | |
| • Copy of contract | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Payout Amount / Residual | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Current Market Value | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| • Leased equipment | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 9. Have you reviewed the existing staff structure – other than the directors or staff that will be discontinuing in their positions? | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 10. Make an appointment to sit with your client manager to assess the information on hand and discuss issues such as the appropriate business structure for asset protection and income tax minimisation. (refer to structure handouts). | | | | |
| 11. Have you determined how you will finance the purchase of the business? | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |
| 12. If you are borrowing money from the bank have you obtained approval for finance? (Please speak to your Client Manager and discuss the appropriate structure of finance to maximise tax benefits.) | Yes | <input type="checkbox"/> | No | <input type="checkbox"/> |

This checklist is only to be used as a guideline to assist you in gathering relevant information when purchasing a new or existing business.

We strongly recommend seeking professional advice