

# Buying a Business Checklist

By Jake R Brady

- Business Financial Affairs
  - Get access to financial information.
  - Define what realty, goodwill, equipment and inventory are included in the sale.
  - Define what is the actual market price of the property.
  - Determine if it will be asset or stock purchase.
  - Research if any business obligations or debts will be inherited.
  - Learn business balance sheets and income statements for at least three years and for current year.
  - Study business tax returns for past three years.
  - Determine additional working capital that will be needed to keep business running after the sale.
- Enterprise/Operational
  - Find out business history.
  - Get the information regarding business reputation, date when it was established, history of development, business ownership structure.
  - Get the copy of franchise agreement if it is used in business, learn franchise fee or a transfer fee have to be paid.
  - Determine whether upgrades are required as well as identify needed changes to business operations.
  - Get the copy of unsigned proposed buy/sell agreement Study proposed terms of the buy/sell transaction.
  - Investigate any business leases for equipment, property, etc and check whether these leases are transferable.
  - Research local laws to assure compliance.
  - Demand from seller an explanation of his/her reasons to sell the business.
  - Determine if you will be able to continue using of the enterprise's business name, patents, trademarks, trade secrets, product names and any other proprietary information.
  - Research any licenses that may be required to maintain business operations and check the costs.
  - Determine whether or not the seller will offer a non-compete agreement after transfer of ownership.

- Determine if there are any customer product warranties issued by the company that may be future obligations.
- Personnel Information
  - Learn the company staffing requirements/policy and key employees.
  - Analyze the roles and salaries of all employees in the business.
  - Research existing employee contracts and benefit packages.
  - Determine the likelihood that existing employees will stay with the business after the transfer of ownership.
- Market and Industry Information
  - Identify the products/services the firm provides.
  - Acquire a list of competitors, suppliers, and clients/customers, if possible.
  - Determine the market area of the business and method of distribution.
  - Research the industry.