

# PURCHASE OF BUSINESS 9-POINT CHECKLIST

# PURCHASE OF BUSINESS 9-POINT CHECKLIST

## 1. Confidentiality Agreement

A prospective purchaser of a business may be required to sign an Agreement in respect to non-disclosure of any confidential information. This, for example, would include financial statements provided during the course of negotiations. Independent legal advice can protect against unfair or overly onerous confidentiality agreements.

## 2. The who/what/where/how

Careful consideration should be given to the market and industry in which the business operates. How is the business faring? Is the business forecasting growth? And if so, to what degree can it manage this? Who are its competitors?

## 3. Keep digging

The business' financial statements can reveal a wealth of information, including most importantly any anticipated income. An accountant or auditor can provide valuable advice upon review of the balance sheets, profit-and-loss statements, annual reports, and cash-flow statements.

## 4. Do the tax records 'add up'?

A business' income tax returns should reconcile with its financial statements. Any discrepancies should be queried, and no purchase should be completed without verification that all accounts are up to date. This includes PAYG (pay-as-you-go income tax), GST, the superannuation guarantee levy, and other tax obligations such as payroll tax and the agreed written down value of plant and equipment.

## 5. Check the assets

A prospective purchaser should be provided with a list of all of the assets expected to be received as part of the business purchase. This should be followed through by checking that all assets are in fact received and in acceptable condition. If equipment has reached its life and there is an intention that it be replaced, then replacement costs should be factored into the purchase price.

## 6. What is the customer base?

A customer database can be a valuable business asset to any incoming purchaser. It can provide details on the business' key clients, as well as commercial opportunities provided by each customer/client. It also outlines information on any prospective or major contracts on which the business may be dependent.

## 7. Suppliers

A list of suppliers can be vital to ensure a smooth transition of the business purchase. Key suppliers should be disclosed, as well as any pertinent contractual obligations with those suppliers for continued trade.

## 8. Why is the business being sold?

A good starting point before any purchase commitments are made, is to question why the business is being sold in the first place. You may or may not get a full and frank explanation from the vendor, but it will do you well to have an idea of the circumstances leading to the sale.

## 9. Check for any legal issues

No two businesses have the same legal issues. It is worth investigating whether or not there are any government regulations that require compliance with respect to such issues as: fire regulations, waste, and fitout, among others. There may be obligations imposed on incoming purchasers for compliance with Fair Work and State laws regarding employee entitlements such as compulsory superannuation payments or long service leave.

Feel free to contact one of our DE business legal and finance specialists today on [9863 7621](tel:98637621) or [email](mailto:info@dangerfieldexley.com.au) for expert business guidance, whether purchasing or selling a current business. We'll assess your specific legal and finance position and give you the peace of mind you need BEFORE signing any business contract or banking documentation.