

Questions to Ask When Buying A Business Checklist

1. What does the business do?
2. What's the history of the business?
3. Why is the business for sale?
4. How old is the business?
5. How long has the business been operating under the current owner?
6. What have been the annual gross revenues of the business for the past two years and to date?
7. What have been the annual net profits of the business for the past two years and to date?
8. What is the asking price?
9. What assets are included in that asking price?
10. Is the asking price supported by the profits of the business?
11. Is seller financing available? If so, how much?
12. Why do you want to buy this business?
13. Should you just start a similar business from scratch?
14. Do you have the interest and experience necessary to make this business successful?
15. Is there a positive outlook for this type of business?
16. What's the competition like?
17. Do you plan to buy and run the business on your own or with a partner(s)?
18. Can you afford to buy the business, given your personal and family constraints?
19. What parts of the business do you want to buy? What is the owner actually selling? (e.g. contracts, customer lists, land/real estate, equipment, inventory, debts/liabilities, etc.).
20. How was the business' purchase price determined?
21. Is the valuation based on internal calculations or an independent appraisal?
22. If there was an appraisal done, can the seller share it with you?
23. Is there room to negotiate the asking price?
24. What is the goodwill value of the business?
25. How does the seller want the sale to be structured? (Asset sale, stock sale, or a sale of membership or partnership interests.)
26. Is seller financing available? How much?
27. What are the terms and conditions of seller financing? Interest rate? Length of loan? What happens if you're unable to pay back the loan?
28. If you're also planning to get a SBA loan or bank loan to buy the business, is the seller willing to take a standby position? For how long?
29. Will the seller wait for you to find external financing if no seller financing is offered?



30. How long is the seller willing to give you to perform due diligence required by your lender?
31. How much access are they willing to give your lender to the company's books?
32. Do you really need financing, or can you afford an all-cash deal?
33. Do you have personal assets, such as retirement funds or home equity, that I can use to finance the purchase?
34. Do you have enough money for a down payment? (10-20% for most traditional loans)
35. Have you written out a business plan with financial projections to provide to lenders?
36. Do you have a resume to provide to lenders which highlights relevant industry experience and/or business management experience?
37. Do you have a good credit score (680+) that will allow you to qualify for long term financing? (check your credit for free)
38. How much collateral do you have?
39. What documents should be examined before buying the business?

Some Examples Include:

- a. Organizational documents for the business (e.g. incorporation docs, certificates of good standing, business licenses, etc.)
 - b. Previous 3 years of business tax returns
 - c. Current year income statements, balance sheets, and cash flow statements
 - d. Revenue broken up by customer for the last 3 years
 - e. Information on existing business liabilities
 - f. Customer lists with proprietary information blocked out as necessary
 - g. Existing contracts - can these be assigned to the new owner?
 - h. Commercial lease or other property documents
 - i. Rent rolls if the property has tenants
 - j. Uniform franchise disclosure document (if the business is a franchise)
 - k. Employee and manager information
 - l. Marketing and advertising materials
 - m. Legal records for pending litigation, if any
40. Do financial documents show volatility in the business' financial condition? If so, what explanation(s) does the seller provide?
 41. Will the owner sign a non-compete agreement to prevent interference with the business?

42. What documents are needed at closing?

Some Examples Include:

- a. Purchase Agreement.**
- b. Promissory notes and collateral agreements for any financing that you'll be using.**
- c. Commercial lease (if applicable).**
- d. Transfer documents for any vehicles that may be part of the purchase.**
- e. Bill of sale - transfers ownership of tangible business assets.**
- f. Non-compete agreement from the seller (if applicable).**
- g. Bulk sale documents - these govern the sale of inventory.**
- h. IRS Form 8594 - shows how assets are allocated during the purchase.**
- i. Consultation/employment agreement - this is necessary if the owner will be staying on for some time to aid with the transition of the business.**

43. What assets and liabilities are included in the sale?

44. Does the business currently lease space? If so, will the lease end soon? Does it need to be renegotiated before you close?

45. What licenses or permits will be needed to operate the business?

46. What revenue models does the business use? (One time payments, subscriptions, contracts, etc.)

47. How does the business generate new revenue? (business development operations)

48. How quickly does the business get paid for goods and services?

49. Will the seller stay for some period of time after the sale to ensure a smooth transition?

50. Who are the employees of the business, what are their roles, and what do they do every day?

51. Who are your biggest competitors and how do each of them directly impact your revenue?

52. How will you handle payroll, including paying yourself, after closing?

53. Will you take a salary from the business right away?

54. Is the business highly dependent on the personality of the owner, or is it fairly independent from the owner?

55. Is there a good management team in place?

56. Which employees do you need to make sure is staying with the business post-closing?

57. Have I talked to employees, suppliers, and other third parties to get their perspective on the business and verify information that I've learned from the seller?