

Business Purchase Checklist¹

Buying a business requires careful consideration and should not be done without professional assistance.

Any agreement should be subject to a “due diligence” or the taking of reasonable steps including checks on the business details. The due diligence should find out as much information about the business as possible, so that you can discuss them with your business adviser.

This checklist highlights some areas that must be considered when buying a business.

Item		Yes	No
Where the purchase involves a company/corporation			
1	Has a company search been done to verify the owner is the seller?	<input type="checkbox"/>	<input type="checkbox"/>
2	Are all statutory company compliance requirements up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
Financial status			
3	Have you obtained at least the last three years financial statements?	<input type="checkbox"/>	<input type="checkbox"/>
4	Have you obtained information on the business's capital and loan structure?	<input type="checkbox"/>	<input type="checkbox"/>
5	Do you have an up-to-date copy of the business's credit report?	<input type="checkbox"/>	<input type="checkbox"/>
6	Have you compared the business's performance with industry trends?	<input type="checkbox"/>	<input type="checkbox"/>
Taxation considerations			
7	Have you obtained at least the last three years tax returns, and where available, work papers supporting the returns?	<input type="checkbox"/>	<input type="checkbox"/>
8	Are all tax obligations up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
9	Have you asked if the business has been audited by taxation authorities in the last five years and, if so, what the outcome was?	<input type="checkbox"/>	<input type="checkbox"/>
Assets included in the sale			
10	Has a list of all fixed assets been obtained detailing all the assets being sold, including original date of acquisition and market value?	<input type="checkbox"/>	<input type="checkbox"/>
11	Have you checked the ownership and physical condition of the assets being sold?	<input type="checkbox"/>	<input type="checkbox"/>
12	Where the assets are leased by the business, have you obtained copies of the leases and checked the leases can be transferred?	<input type="checkbox"/>	<input type="checkbox"/>
13	Are the assets adequately insured until settlement of the purchase?	<input type="checkbox"/>	<input type="checkbox"/>

¹ This article does not constitute “advice”. Care should be taken when applying the principles espoused and should not be done without consulting your financial and legal advisers. It is important to realise that individual and specific circumstances will need to be taken into account and accordingly the writer is not to be held responsible for any actions taken as a result of this article.

Item		Yes	No
14	Has the purchase price been apportioned between the goodwill of the business, inventory, other assets, and the individual fixed assets?	<input type="checkbox"/>	<input type="checkbox"/>
Employees			
15	Do you have a list of the employees, including their salary and other entitlements? Do you have copies of their current contracts?	<input type="checkbox"/>	<input type="checkbox"/>
16	Are there any key employees who are critical to the continued running of the business?	<input type="checkbox"/>	<input type="checkbox"/>
17	Are all outstanding employee entitlements such as superannuation contributions/pension plans and any statutory employee obligations such as insurance up to date?	<input type="checkbox"/>	<input type="checkbox"/>
18	Have you considered the current corporate culture exercised by the employees and the rate of employee turnover?	<input type="checkbox"/>	<input type="checkbox"/>
Inventory			
19	Does the inventory include any obsolete stock?	<input type="checkbox"/>	<input type="checkbox"/>
20	Has the inventory been valued at market value?	<input type="checkbox"/>	<input type="checkbox"/>
Physical premises			
21	Have you sighted copies of all real estate lease agreements, ownership titles, mortgages and any documents relevant to the premises?	<input type="checkbox"/>	<input type="checkbox"/>
22	If you will continue in the same business premises, has the seller facilitated a lease assignment, and the landlord has agreed in writing?	<input type="checkbox"/>	<input type="checkbox"/>
23	Have you checked with the town council records to ensure there are no developments or changes to the area that could disrupt the business at those premises?	<input type="checkbox"/>	<input type="checkbox"/>
Other considerations			
24	Do you know why the vendor is selling and is it a valid reason?	<input type="checkbox"/>	<input type="checkbox"/>
25	Have you prepared a business plan showing feasibility into the future?	<input type="checkbox"/>	<input type="checkbox"/>
26	If you are buying the business with a number of other people, have you written agreements with them in place?	<input type="checkbox"/>	<input type="checkbox"/>
27	Do any government regulations apply to the business, such as the requirements for licenses or permits and if so, are all relevant government documents up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
28	Does the business have any pending, ongoing, or recently finalised lawsuits?	<input type="checkbox"/>	<input type="checkbox"/>
29	If you are buying the legal structure which is operating the business, is the legal structure suitable for you?	<input type="checkbox"/>	<input type="checkbox"/>
30	Have you considered customer and supplier contracts and the production, distribution, sales and marketing processes and the likely impact a change of ownership might have on these?	<input type="checkbox"/>	<input type="checkbox"/>