



*Office Address:*  
96 Autumn Street  
GEELONG WEST Vic 3218

*Postal Address:*  
PO Box 7518  
GEELONG WEST Vic 3218

Ph: (03) 5229 1290  
Fax: (03) 5222 1629  
Email: [enquiries@spinell.com.au](mailto:enquiries@spinell.com.au)  
Web: [www.spinell.com.au](http://www.spinell.com.au)

No 07 in Series

## **FINANCIAL FACTS**

### **BUYING A BUSINESS**

#### **BUY FOR THE RIGHT REASON**

The most important thing about buying a business is buying for the right reasons. These may include: to make a profit; to work reasonable hours; to take advantage of a particular skill that you may have, etc.

#### **THE PRICE PAID**

The price paid will usually include stock, assets and goodwill. Goodwill is said to comprise a value of an investment return over and above the wages paid to the owner.

#### **CONSIDERATIONS IN BUYING A BUSINESS**

- Do you possess the right temperament and the skills and ability to manage it?
- Research the nature and trends of the business industry sector.
- What are the competitive strengths and weaknesses of the business and of its competitors?
- How would the purchase be financed – equity, business loan etc?
- Does the business employ staff and will they remain or will staff be employed?
- What licenses, permits and registrations are required?
- Obtain a copy of the lease for the premises and take note of the main details of rent, the rental period, rental reviews and outgoings.
- Obtain a Form 19 Statement prepared by the seller's accountant or real estate agent.
- Obtain some work experience in the business to get a better feel for its nature and peculiarities.
- Discuss the possible purchase and its impact on the family and friends.
- If the business is a franchise obtain all of the relevant franchise documents for review with us.
- Collect all of the relevant data and provide it to us to determine its viability in your circumstances.

#### **ONCE PURCHASE HAS BEEN AGREED**

- A restrictive covenant should be included to prevent the seller (vendor) competing with you.
- Ensure that the equipment is in working order.
- Relevant leases and business names etc are assigned to you.
- Prepare a business plan which includes marketing and business strategy, financial plan including budgets and projected cash flows, and other considerations.
- Consider a suitable business structure (see No 2 in the series).

We can help with all of the above.

**DISCLAIMER:** *This publication is intended to inform readers and provide general guidelines and information. It is not a substitute for professional advice. Specific application should only be made after consultation with Spinell Accounting Group. Vlado Joseph Dancevic T/as Spinell Accounting Group expressly disclaims all liability to any person who relies, or partially relies, upon anything contained in this publication. Spinell is a registered Trade Mark.*