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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.

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