

# Buying a Business

The decision to buy a business can be one of the most important decisions in your life. Yet a surprising number of people rush into it without adequate investigation. Take the time to obtain as much information as possible about the business. Do not be tempted to make a quick bid for the business to avoid missing a “golden” opportunity.

## The following is a list of questions that you should ask:

- Is the business profitable?
- Why is the business for sale?
- Could the business be expanded?
- Are sales increasing or decreasing?
- Are competitive pressures increasing?
- What future investments will have to be made?
- Are you paying too much for this business?
- Are the assets really worth the asking price?
- Does it earn enough money to pay you a decent wage?
- If the premise is leased, are there provisions for the extension of the contract?
- Are there any new by-laws or zoning regulations that will affect the business?
- Are there any key employees that may not be staying on after you take over?
- Do you have the experience to take over this business and maintain it profitably?
- Is the amount of goodwill (asking price – fair market value of the assets) reasonable?

## Here is a list of the documents that you should be provided with:

- Any aged receivables or payables
- Any major contracts or agreements
- Organization chart or list of employees
- Seller’s financial projections and budgets
- Descriptions of assets (age, serial #, estimated value)
- Interim financial statements (for the period since the last year end)
- Three years most recent financial statements (should be prepared by an accountant)
- Most recent income tax returns (corporate if an incorporated business, personal if not)

Have an accountant review these documents and have a lawyer draw up the purchase agreement.

## For more information

**Books:** Business for Beginners: A Simple Step-by-Step Guide to Start Your New Business  
Frances McGuckin