

Business Evaluation Checklist

If you find a business that you would like to buy, you will need to consider a number of points before deciding whether to purchase it. Take a good, close look at the business and answer the following questions. They will help you determine whether the business is a sound investment.

- ❑ Why does the current owner want to sell the business?
- ❑ What type of growth potential does this business have?
- ❑ If the business is in decline, will you be able to save it and make it successful?
- ❑ Is the business in sound financial condition? Have you seen audited year-end financial statements for the business? Have you reviewed the most recent statements? Have you reviewed the business's last five tax returns?
- ❑ Have you seen copies of all of the business's current contracts?
- ❑ Is the business now, or has it ever been, under investigation by any government agency? If so, what is the status of any current investigation? What were the results of any past investigation?
- ❑ Is the business currently involved in a lawsuit, or has it ever been involved in one? If so, what is the status or result?
- ❑ Does the business have any debts or liens against it? If so, what are they for, and in what amounts?
- ❑ What percentage of the business's accounts are past due? How much does the business write off each year for bad debts?
- ❑ How many customers does the business serve on a regular basis?
- ❑ Who makes up the market for this business? Where are your customers located? Do they all come from your community or from across the state, or are they spread across the globe?
- ❑ Does the amount business vary from season to season?
- ❑ Does any single customer account for a large portion of the sales volume? If so, would the business be able to survive without this customer? Remember, the larger the customer base is, the more easily you will be able to survive the loss of any customers. If, on the other hand, the business exists mainly to serve a single client, the loss of that client could be catastrophic.