



Buying a Business Checklist

If you are interested in purchasing an existing business, find out why the business is for sale and review the information contained in this checklist before you sign on the dotted line. We've compiled a list of key pieces of information about the business that you should obtain from the seller. This list is not intended to be exhaustive, but will be a useful guide in your assessment of whether or not this is the right business for you to buy.

Organization Records

- Articles of incorporation.
- List of shareholders and number of shares held by each.
- Organization chart.
- Minute book.
- Copies of agreements relating to shares, options, and any convertible securities.

Financial Records

- Company credit report if available.
- Three years of financial statements – balance sheets, income statements, capital budgets.
- Accounts receivable schedule, reason for overdue accounts.
- Bad debt reserve analysis.
- Schedule of fixed and variable expenses.
- Schedule of all liabilities.
- Schedule of inventory by physical count, age and condition.
- Assess inventory valuation method.
- List of marketable securities, fair market value and restrictions.
- Schedule of accounts payable, age of amounts due and disputes.
- Financial ratios – quick, current, debt to net worth, gross profit to sales, net income to sales and return on assets compared to industry average.
- Business valuation – net book value, liquidation value, future earnings method.

Physical Assets

- Schedule of fixed assets and locations.
- Schedule of real estate owned, condition and age, fair market value.
- Repairs or improvements needed.
- Maintenance schedules, costs.
- Copies of all real estate leases, mortgages, titles, surveys, zoning approvals, variances, or use permits.

Intellectual Property

- Description or methods used to protect trade secrets, know-how, patents, licenses, and copyrights.
- List of all trade names, trademarks, domain names, logos, copyrights, patents, and industrial designs.
- Transfer of website domain ownership, service agreements, technical support.

Employees

- List of leading employees, job description and duties, salaries and bonuses paid.
- Resumes of key employees.
- Description of benefits.





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- Worker's compensation claim history.
- Unemployment insurance claim history.
- Schedule of all consulting agreements.

Taxes

- Three years of Federal tax returns.
- Three years of GST returns.
- Date and outcome of last audit.
- State of taxes, CPP, EI, GST payments.

Products or Services

- Description of existing products and services and any products and services in development.
- Summary of all complaints and warranty claims.
- Description of any litigation.

Customer Information

- List of top 10 customers by sales, over two years.
- Supply and service agreements.
- Schedule of unfilled orders.
- List and explanation for any lost major customers, over two years.
- Contact information for two or three customers you can interview.

Insurance

- Copies of general liability, personal and real property, product liability, key-person, worker's compensation and other insurance policies.
- Schedule of insurance claim history, over two years.

Marketing

- List of current marketing programs, advertising plans and budget.
- Key competitive advantages in the marketplace.
- Current market trends.
- Description of major competitors, market share, competitive advantages.

Legal

- Any pending or in-progress litigation.
- Regulatory requirements for this business – occupational health and safety, worker's compensation, environmental and other regulatory requirements – and compliance report
- Local zoning compliance.
- Intentions of the owner after the sale has been made. Look for a non-compete agreement.
- Seller employment contract if there is to be a cross-over period.

Our Buying a Business Checklist should be viewed as a starting point for determining the health and fair market value of a business. If there's a business out there you like and wish would come up for sale – why not ask? Our experience is that most everything is for sale at the right price. Alternatively, you can use this checklist to help prepare your own business for sale to the right buyer when the time comes to harvest your investment. A well organized sales package of the information such as the one we listed above will set a positive tone for prospective buyers. If you present a thorough, complete and accurate





sales package buyers will assume that you've run your business in the same manner. First impressions count.

