

Business Acquisition Checklist

1. Understanding the Deal

#	<i>Consideration</i>	<i>Done</i>	<i>Comments</i>
1	Obtain a complete description of the business		
2	What are you buying? Is this an asset or a share deal?		
	a) if a share deal, obtain a description of the shares being acquired		
	b) if an asset deal, obtain a list of assets to be purchased.		
3	If this is not a complete business what is required before you can open for business		
4	Who is the vendor, and what is the reason for selling?		
5	What is the purchaser's strategy for the business?		
6	Have the purchaser and vendor struck a deal and if so what are the terms (ie letter of intent)?		
7	Has the purchaser sought professional advice-who are the advisors?		

2. Information Required

#	<i>Consideration</i>	<i>Done</i>	<i>Comments</i>
1	Three most recent years' annual financial statements		
2	Interim Financial statements for the period since the last year end.		
3	Most recent income tax returns (corporate if an incorporated business, personal if not)		
4	Major contracts and agreements		
5	Organization chart or list of employees.		
6	Description of Assets (age, serial # and estimated value		

7	Vendor's financial projections and budgets		
8	Aged receivables and payables		

3. Earnings Analysis

#	Consideration	Done	Comments
1	Review the historical earnings of the business and adjust, on a prospective basis, for the following normalizing items:		
	a) remuneration of the owner/manager		
	b) non-arm's length transactions (rent, use of equip, personal expenses)		
	c) one time charges that will not recur		
	d) interest expense		
	e) normal bad debt expense		
	f) new/lost major customers		

4. Net Asset Value Analysis

#	Consideration	Done	Comments
1	Calculate the adjusted net asset value of business being acquired, starting with shareholders' equity or net book value, and taking into account:		
	a) differences between net book value and fair market value for equipment, furniture and fixtures (and other assets, as applicable)		
	b) assets/liabilities included but not being acquired		
	c) assets/liabilities not included		
	d) expected changes to financing (eg additional loans)		
	e) intangible assets		

5. Revenue Analysis

#	Consideration	Done	Comments
1	80/20 rule-who are the major customers		
2	Obtain measures of sales volume (eg.meals served, litres pumped, labour hours charged)		
3	Determine the number and dollar size of sales transactions per day/week/month		

4	Review monthly sales data for cyclical nature-what are the implications for cash flow?		
5	Determine if there are any significant new/lost customers during past year		
6	Obtain summary sales (and possibly gross profit) data by product line or service		
7	Determine where the key customer relationships reside-what do they do to bring their business here?		

6. Other Considerations

#	Consideration	Done	Comments
1	What are the terms for the occupation of the current place of business?		
2	Who are the key employees? What needs to be done to retain them		
3	Who are the critical suppliers. What needs to be done to continue receiving supply of goods/services?		
4	Who are the competitors, and what are their strengths and weaknesses		
5	Are there expansion/growth opportunities? How will the purchaser capitalize on them and what will it take?		
6	Can any synergies be identified and quantified, thereby rationalizing the price being paid?		

7. Projections

#	Consideration	Done	Comments
1	What does the first year look like?		
2	Are there any cash flow crunches when additional financing may be required		
3	How much new investment will be required and when		
4	Can the purchaser afford to live (ie is the purchaser able to leave sufficient earnings/cash in the business)		
5	What is the downside scenario? Is it "scary"?		
6	How sensitive is the projection to major risk factors? What are the contingency plans?		

8. Financing

#	Consideration	Done	Comments
1	Can the business service the planned debt and other obligations		
2	Is the level of debt appropriate for the business		
3	Is there elbow room in case of the downside		
4	Have arrangements been made with existing financiers for post-acquisition		

9. Valuation and Pricing

#	Consideration	Done	Comments
1	Determine how you will value the business		
2	Perform a goodwill assessment		
3	Do the calculations		
4	Use yardsticks/rule of thumb		
5	Does the price pass the "smell" test		

10. Terms of the Deal

#	Consideration	Done	Comments
1	If Cash is required, can the deal be structured for some deferred payment		
2	Will the vendor take-back financing as part of the deal		
3	Has an earn-out been considered		
4	Are non-competition agreements necessary		
5	What unique representations and warranties are necessary		
6	How will the vendor support/facilitate the transition		
7	If there are partners/shareholders, are agreements in place		

11. Due Diligence

#	Consideration	Done	Comments
1	Consider the quality of the financial statement/other information		
	a) out of date, or recent?		
	b) prepared by a qualified accountant or internal?		
	c) is there a risk of mis-statement (cash sales, excessive costs)?		
	d) is it detailed information, or summary?		
	e) do you suspect "different sets of books"(for tax, for selling the business)?		
2	Consider PPSA and other corporate searches		
3	Ask around about the vendor's business reputation		
4	Do some personal research (e.g. observe traffic flows)		
5	Talk to customers and suppliers		

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