Patane ACCOUNTING

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Some things to consider when buying and selling a business

When considering buying or selling a business it takes time and effort in either researching or preparing the business for sale. Some of the important things that should be considered include:

- Consideration as to what is being purchased and sold:
  - Ensure the conditions of the purchase or sale have been well documented including goodwill, contracts, plant and equipment – the seller generally would provide information on this with the assistance of their accountant and their agent
  - Consider the income tax and other state and federal tax implications

- Being ready and having all information readily available:
  - Having access to accountant prepared financial information including the Profit and Loss Statement (generally 3 years' worth)
  - Notifying the financier and making them aware of the intended transaction and to satisfy any lending requirements

- Exploring the contracts:
  - Careful consideration has to be given to the important contracts relating to key customers, suppliers and employees (preferably by the way of written contracts)
  - All contracts should be reviewed, be current and have the ability to be assigned accordingly with the help of your legal representative

- Reviewing the lease:
  - The terms and conditions when leaving and assigning the lease
  - The expiration of the lease and negotiating with the landlord

- Settling the transaction:
  - If you have consider all of the above and you are ready to commit you may wish to engage the assistance of a settlement agent to complete the transaction
  - Consider all relevant federal and state income tax implications of the transaction
  - Proceed accordingly with the help of your advisers as there are further issues to deal with post the purchase and sale of the business

From the above you can see why it is vital that you carefully plan for the purchase or sale and seek professional advice. This information is general in nature and you should seek independent professional advice from your Accountant, Financier, Lawyer, Sales, Leasing and Settlement Agent as necessary.

At Patane Accounting we have helped numerous businesses to successfully purchase and sell (as well as setup and close) their businesses and we look forward to assisting you.