

Checklist - Evaluation to Buy a Business

1. Why does the current owner want to sell the business?
2. What type of growth potential does this business have?
3. If the business is in decline, will you be able to make it successful?
4. What sort of financial condition is the business in?
5. Be sure to carefully examine the audited year-end financial statements for the business?
6. Be sure to review the tax returns of the business for at least the past five years.
7. Examine the current contracts of the business.
8. Has the business ever been under investigation by any government agency? If so, what was the investigation about and its outcome?
9. Is the business currently under any sort of investigation? If so, what is the investigation about?
10. Is the business involved in any lawsuits? If so, what do they concern? What are the potential losses?
11. What debts does the business have? What liens, if any, are on the properties of the business?
12. What percentage of the business's accounts are past due?
13. What has been the business bad debt write-off for the past three years?
14. How many customers or clients does the business serve on a regular basis?
15. Who makes up the market for this business? Where are the customers or clients located? Do they come from your community, from various parts of the state, or are they spread all over the country?
16. Does the amount business vary from season to season?
17. 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?
18. The larger the customer base, the more likely the business will be able to survive the loss of any one customer. If the business primarily serves only a few customers, the more likely it will fail if it loses one or more of those customers.