



Buying A Business

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We are often approached by people keen to purchase businesses. The process of purchasing a business involves some considered analysis and a number of fundamental questions you need to ask yourself before you embark on the journey.

“Running a business requires management skills and total dedication.”

1. CAN YOU AFFORD IT?

It is important to budget for professional fees, stamp duty and working capital. What finance is required and what are the lending requirements? Your financier needs to be satisfied the business can pay for the loan as well as your lifestyle and will generally require property as security.

2. HAVE YOU GOT THE SKILLS AND ENERGY TO OPERATE THIS BUSINESS?

Running a business requires management skills and total dedication. Can you visualise yourself

getting up every morning and running this business enthusiastically? Make sure you can honestly answer this before you proceed.

Assuming you satisfy these fundamentals, it is recommended you receive structuring advice from your accountant to determine what entity will purchase the business. Consideration will be given to your personal circumstances and the selection can greatly impact your ability to minimise income and capital gains tax and protect your assets.

The contract is usually prepared by the vendor's agent so you should always have your solicitor and accountant review the document before signing. Your advisers will consider inclusion of clauses to protect your interests and the content of the contract is subject to negotiation.

A business purchase should be subject to a due diligence review conducted by your accountant and often also by your solicitor and will often be subject to finance.

The depth of the financial due diligence will generally depend on the size and cost of the

business as well as your financier's requirements. Your accountant can provide a professional opinion regarding the financial performance of the business and identify any risks or commercial considerations that could impact the decision.

A legal due diligence will check all business contracts and ensure the vendor has clear title to assets proposed to be transferred. Depending on the business a professional valuation of plant and equipment may be recommended.

Assuming the business is sound and priced correctly, you will proceed to settlement. Your accountant should be able to assist you in preparing a prioritised checklist of actions required in taking over the business.

Remember that sometimes an unfavourable professional opinion can benefit the purchaser. It can identify weaknesses and risks in the business, which can assist in price negotiations and identify ways to improve the business. It may also deter you from making a costly mistake, so it is always worthwhile to pay for professional guidance when considering a business acquisition.