

## Questions for a vendor contemplating selling a business.

### Organisation and Structure

- Trading Name and Type of Business
- Legal Structure (e.g. Listed Company, Private Company, Partnership, Sole Trader)
- How long has the business been in operation – and over what period has it been operated by you?
- How many staff are employed? (Full time, part time, seasonal/casual)
- Weekly trading hours of the business.
- What do you consider to be the 'crown jewels' of the business?
- Why are you selling the business?

### Financial Aspects

- Are there P&L, Balance Sheets, and monthly sales figures available for the past 3 years?
- What is the average amount of working capital needed to run the business?
- Was any part of the business acquired after 20 September 1985 – is there any CGT liability?
- How much is the owner's remuneration – including superannuation and vehicle expenses?
- What is your average level of debtors – including an age profile?
- How many bad debts have been incurred?
- Specify the value, and the reasons why they've occurred.
- Are any of the debtors to be taken over by the purchaser – and at what value?
- Are there any interstate or overseas customers – and do they pay on time?
- What is your average level of creditors – including an age profile?
- Are there any exclusive written agency agreements with your suppliers?
- Are these agreements transferable?
- Will suppliers continue to give the same credit terms and conditions to a new owner?
- Have there been any changes in your top five expense items?
- Are there likely to be any additional expenses in the future?

## Production

- Does the business have production targets? Are they documented and understood?
- Are your production levels and/or sales revenues subject to seasonal variations?
- What steps can be taken to overcome these variations?
- Does the business rely on tenders and contracts?
- What percentage of turnover/sales does this represent?
- In relative terms, what is the percentage of repeat business from your customer list?
- Have there been any recent changes to this mix?
- Are there products which turnover quickly, and are there complimentary products which could be added to the line?
- Is the floor layout suitable? Are there any improvements necessary for future expansion?
- How will the business change in the next 12 months?

## Trading Stock

- Does the stock on hand match the amount in the Balance Sheet?
- Is there any value-adding to stock – and how do you mark it up?
- Is the stock on hand of merchantable quality?
- Does it match the sales/production mix?
- Are there any warranties to be met?
- Does the business have a computerized stock management and inventory tracking system?
- Do you have reliable supply chains, and how quickly can stock be replenished?
- Do you have access to alternative suppliers – or are you dependent upon one major supplier?
- Who are the top ten suppliers?
- How much product is purchased from each, annually?

## Plant & Equipment

- Is the plant and equipment in good repair and well maintained?
- Can a depreciation schedule be supplied?
- Who owns the P&E, vehicles, fixtures and fittings, office furniture and equipment, signs, etc?

## Plant & Equipment (cont)

- Is there any additional P&E which could enhance the profitability of the business?
- What computer system do you use in the business?

## Marketing

- Does the business have a well-documented, up to date marketing plan?
- How does the business differ from the competition?
- What is your customer profile ratio – i.e. wholesale as to retail; service as to sales.
- Does the business rely on more than one customer? Rank your top 10 customers by value to the business.
- Does the business maintain a customer data base times the value of their business?
- How do you keep up to date with current trends or innovations within your industry?
- What advertising/promotions have you done in the past?
- Did they represent value for money?
- Do you have any fresh advertising/promotion strategies in the pipeline?
- What are the major strengths, weaknesses and threats to your business?
- Has the business any unexploited opportunities?
- What would you do to take the business to the next step?
- Describe your pricing strategy – price leader, price follower, cost plus discount?
- Has your business acquired any quality or other accreditations?
- Does the business have any professional affiliations?

## Premises & Location

- Do you own the premises, and if so will you sell them with the business?
- What are the lease terms, how much is the rent including variable outgoings, when is the next rent review, and are there any other options?
- Is there a managing agent?
- Is the rent reasonable for the area?
- Do the business' operations comply with the permitted uses in the lease, and the local council zoning rules?

## Premises & Location (cont)

- Does the location suit the business – or are there more strategic locations?
- Who are the businesses competitors, and where are they located in relation to your premises?

## Management, Staffing & Welfare Issues

- How would you describe your management style?
- Is there a management succession plan?
- Are there any special qualifications, trade certificates or licences required to operate the business?
- How are staff paid? Are there any production incentives or bonus schemes in operation?
- Do you have up to date staff records – including superannuation, sick leave, annual leave and long service leave entitlements?
- Are there any enterprise bargaining agreements in place?
- Does the business have an adequately monitored OH&S programme?
- Are there any family members employed on a full time, part time or casual basis?

## Legal & Due Diligence Issues

*Are you aware of, or do you have available -*

- Any current or potential litigation, including prosecutions relative to the business?
- Notices, orders or proposals by the local authority?
- Rights to intellectual property and/or patents associated with the sale of the business?
- Service, maintenance agreements or warranties relating to plant and equipment?
- Licences, permits or other agreements relating to the business?

*Is the business operated under a franchise, distribution or agency arrangement? If yes -*

- How much time is left on your agreement, and can it be extended?
- Is your market in WA protected under any agreements, including patents?
- Is there a transfer fee payable on the sale of the business – and would transition to a new owner be difficult?

## Insurance

*Do you have cover for -*

- |   |  |                                    |
|---|--|------------------------------------|
| <input type="checkbox"/> Public Liability     | <input type="checkbox"/> Loss of Profits     | <input type="checkbox"/> Buildings |
| <input type="checkbox"/> Plate Glass          | <input type="checkbox"/> Fixtures & Fittings | <input type="checkbox"/> Stock     |
| <input type="checkbox"/> Workers Compensation | <input type="checkbox"/> Vehicles            | <input type="checkbox"/> Key Man   |
| <input type="checkbox"/> Theft                | <input type="checkbox"/> Fire                | <input type="checkbox"/> Other     |

## Conditions of Sale

-  How long are you prepared to stay to ensure the effective hand over of the business?
-  Under what terms?
-  What trade restraints and conditions are you prepared to give to the buyer?