



# Business Acquisition Checklist

Written by: WeBC

## 1. Understanding The Deal

#	Consideration	Done	Comments
1	Obtain a complete description of the business.		
2	What are you buying? Is this an asset or a share deal?		
	1. If a share deal, obtain a description of the shares being acquired.		
	2. 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 you and the vendor struck a deal and, if so, what are the terms (i.e. letter of intent)?		
7	Have you sought professional advice? Who are the advisors?		

## 2. Information Required

#	Consideration	Done	Comments
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 equipment, 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 (e.g. 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 (e.g. 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 the 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 (i.e. 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/rules 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) Is it out of date or recent?		
	b) Has it been prepared by a qualified accountant or internally?		
	c) Is there a risk of mis-statement (cash sales, excessive costs)?		
	d) Is it detailed information or a 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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