Community Futures Development Corporation
Business Purchase Checklist

#	Consideration	Done	Comments
A) Understanding the Deal			
1.	Obtain a complete description of the business.		
2.	Is this an asset or a share deal (what are we buying)?		
	a) if an asset deal, obtain list of assets to be purchased; and		
	b) if a share deal, obtain description of shares being acquired.		
3.	If this is not a complete business, what “else’ is required before opening 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 the purchaser and vendor struck a deal and, if so, what are the terms (i.e. letter of intent)?		
7.	Has the purchaser sought professional advice-who are the advisors?		
B) Information Required			
1.	Three most recent years’ annual financial statements (preferably prepared by an accountant).		
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).		

#	Consideration	Done	Comments
4.	Major contracts and agreements.		
5.	Organization chart, or list of employees.		
6.	Description of assets (age, serial #, value).		
7.	Vendor's financial projections and budgets.		
8.	Aged receivables and payables.		
C) Earnings Analysis			
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; and		
	f) new/lost major customers.		
D) Net Asset Value Analysis			
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); and		

#	Consideration	Done	Comments
	e) intangible assets (goodwill, intellectual property, patents etc).		
E) Revenue Analysis			
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 transaction 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 past year.		
6.	Obtain summary sales (and possibly gross profit) data by product line or service.		
7.	Determine where the key customer relationships reside-why do they bring their business here?		
F) Other Considerations			
1.	Place of business-what are the terms for continued occupation?		
2.	Who are the key employees? What needs to be done to retain those employees after acquisition?		
3.	Who are the critical suppliers? What needs to be done to ensure continued supply of goods/services?		
4.	Who are the competitors, and what are their strengths and weaknesses (do a competitive assessment)?		
5.	Are there expansions/growth opportunities? How will the purchaser capitalize thereon, and		

#	Consideration	Done	Comments
	what will it take to do so ($, new employees, new products or services)?		
6.	Can any synergies be identified and quantified, thereby rationalizing the price being paid?		
G)	***Projections***		
1.	What does the first year look like? (Anything past the first year is probably irrelevant!)		
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 this projection to major risk factors? What are the contingency plans?		
H) Financing			
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?		
I) Valuation and Pricing			
1.	Determine the appropriate methodology for valuing the business.		
2.	Perform a goodwill assessment-should there be any?		
3.	Do the calculations (or derive value from price).		

#	Consideration	Done	Comments
J) Terms of the Deal			
1.	If 100% cash, can the deal be restructured for some deferred payment?		
2.	Will the vendor take-back any financing as part of the deal?		
3.	Has earn-out been considered?		
4.	Are non-competition agreements necessary?		
5.	What unique representation and warranties are necessary?		
6.	How will the vendor support/facilitate the transition?		
7.	If there are partners/shareholders, are agreements in place?		
K) Due Diligence			
1.	Consider the quality of the financial statements/other information:		
	a) out of date, or recent?;		
	b) prepared by a qualified accountant, or internal?		
	c) is there a risk of miss-statement (cash sales, excessive costs)?		
	d) is it detailed information, or summary data only?		
	e) do you suspect "different sets of books" (for tax, and for selling the business)?		
2.	Consider Personal Property Registry and other corporate searches.		
3.	Ask around about the vendor's business reputation.		
4.	Do some personal research (e.g. observe traffic		

#	Consideration	Done	Comments
	flows).		
5.	Talk to customers and suppliers.		