

Buying a Successful Business

Purchasing a business can be one of the most daunting events in your life, so a thorough knowledge of the business, the industry it operates in and the general business environment is imperative to reduce the risk associated with the purchase.

As part of this due diligence process, professional advice from accountants and solicitors is essential to ensure the information presented by the seller is realistic. Previous and projected turnover and net profit figures, the asking price of the business, the value of employee entitlements, assets of the business and the terms of any business premises leases, all need to be fully understood.

Most Important Factors For Success

My experience in advising business buyers over the last 34 years has shown me that to maximise the chance of buying a successful business you need to:

- Not overpay for the business in the first place
- Have had experience in the industry the business operates in
- Understand the hours that you need to work in and on the business
- Ensure that your personality suits the business
- Understand external factors that may be changing, including new competition, building requirements, trading hours, road changes, etc.
- Obtain a copy of the business tax returns and financial statements for the last 3 financial years, noting profit changes, possible missing expenses and the general trend of income and profits
- Benchmark the performance of the business against its peers to identify potentially misleading information and profit potential
- Review the last 2 years' quarterly BAS statements and compare them against tax returns and financial statements for confidence in the seller's information
- Review the seller's plant and equipment for obsolescence and valuation
- Have at least a basic understanding of what's required to operate a business

Finally, consider what the day to day activities of the business will look like and make sure that this is what you want. It's a bit late after buying a hotel to find out that you don't like drunks, or buying a newsagency when you don't like getting up at 4 am or purchasing a lawnmower business if you don't like getting hot and being out in the sun.

If you are considering buying a business, please contact Enright Holmes Chartered Accountants on 6686 4744 for a business assessment and guidance on the buying process.