

Partner

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Small Business Check-List

Before purchasing a business you should consider all of the following:

- Engage an accountant to examine the books and records of the business.
- Test the financial representations made by the vendor.
- Check whether the business will be able to service your proposed borrowings and still leave an adequate return.
- Check the terms and conditions of the contract and discuss them with your solicitor before you sign it. Is there to be a restraint of trade on the vendor? If the vendor is a company, are the directors personally bound?
- Check the registrations, licences or permits held by the vendor.
- Is the business a franchise? Check the Franchise Agreement and what fees are payable and what consents are needed. You should obtain legal advice.
- Check the provisions of the lease and obtain legal advice before you sign it. What consents are needed from the lessor? Is there a personal guarantee required?
- Check the inventory of chattels, plant and equipment and their condition. Are there any encumbrances to be discharged?
- Check for restrictions as to the use of the business premises.
- Check the rates, insurance and other outgoings.
- If employees are to remain in employment, check employment contracts, the method of adjusting salary, annual leave, superannuation, etc. and how this is dealt with in the agreement.
- Seek legal and accounting advice about choosing the most appropriate operating structure - this may have taxation implications.
- Seek legal advice on the laws relating to consumer protection, credit, leases, employment law, patents and copyright.
- Seek expert taxation advice and be aware of GST, PAYE and FBT.

For further information please contact **Stewart Germann** *before* you sign any Agreement for Sale and Purchase.