It's the same old story. A buyer enters into a Purchase Agreement to buy a business, normally with a provision to conduct a due diligence within a 10-15 day period and, (guess what?) fails to do so. As a result, the buyer goes to closing, signs all of the documents required to transfer ownership only to find out later on that what he bought is not what he expected. As a result, the new business owner losses, in most cases, all of their liquid assets. It is a story which I find repeating all the time.

Obviously, a due diligence should be performed to:
a. Confirm that the business is what it appears to be.
b. Identify potential "deal killer" defects in the business being acquired.
c. Gain information that may be useful in determining the viability of the business.
d. Verifying that the transaction complies with the investment or acquisition criteria—what you were told is, indeed, the truth.

Having said that, what should I look at? Normally, for small transactions, the minimum you should be looking at are:

a. Current Payroll Information. Are the payroll and employees what I have been told?
b. Lease Agreement. This is important if you are looking to get a lease assignment.
c. Financial Statements – Balance Sheet and P&L. Do they represent what I have been told? Are they prepared by a reputable CPA firm?
d. Tax Returns
e. Bank Accounts—a good source to determine true cash flow.

So, PLEASE, do not make the mistake of ignoring the due diligence process. It will provide you with the peace of mind of entering into a new business with a clear vision of its future.

Should you want to know more about selling or buying a business, please contact me, Fernando Simo, at 407-361-8886 and/or visit my webpage at www.bizbuyorsellflorida.com