

Selling a Business

PLANNING TO SELL YOUR BUSINESS?

Should I sell my business? It's a question almost every successful business owner eventually needs to address. For those who have invested a great deal of time, energy, and resources in their business, the decision to sell may be difficult and the negotiation extremely stressful. To help you with the potential sale, the Texas Society of Certified Public Accountants answers six common questions.

1. How do I determine the best time to sell my business?

The key to a successful sale is that both the business and the seller must be ready. Your business should be performing well and you should have audited financial statements prepared by your CPA, copies of tax returns, and other documentation that demonstrates your company's financial viability.

If you know that you want to sell your business by a certain date, allow sufficient time. This will prevent you from feeling pressured to take the first offer or to accept a price or terms that don't meet your expectations.

2. Where do I look for potential buyers?

A list of potential buyers for your business would likely include competitors, customers, vendors, and suppliers. Individual investors and entrepreneurs may be interested as well. Long-time employees or partners who are familiar with the business may represent some of the best prospects for the sale.

Many businesses are put up for sale through classified ads in newspapers, business periodicals, or trade publications. Some locales have economic development centers that serve as a clearinghouse for businesses up for sale.

3. How important is confidentiality?

Don't be tempted to discuss your intention to sell. Once you've decided to market your business, it's usually wise to keep your plans confidential. If word gets out that you are planning to sell, you might lose customers, key employees, or credit.

4. Should I plan to sell my business on my own?

Regardless of your background, you should seek professional advice in selling your business. At the very least, you'll want to involve your CPA and attorney to handle the many financial, legal, and tax issues involved in selling a business.

Depending on your expertise, the size of your company, and the complexity of the deal, you may also want to enlist the help of a business broker. Business brokers bring buyers and sellers together, act as the seller's representative, and handle negotiations, much as a real estate broker might.

Using a business broker also allows you to maintain confidentiality. Nonetheless, a broker's fee can be substantial, so you'll want to take the cost into consideration.

5. How do I know how much my business is worth?

There are various formulas for valuing a business, all of them complicated and each with limitations. Even if two businesses appear to be similar, cash flow, capacity, competition, and other factors can make a difference in value.

To determine a realistic selling price, it's wise to consult with a CPA or a qualified business appraiser. Without expert advice, you may undervalue your company and accept too low a price or overestimate its worth and waste valuable time.

6. What about financing?

In addition to arriving at an acceptable price for your company, you need to know what terms you will accept. Are you looking for an all-cash deal, or are you willing to finance the sales price? If the new owner wants you to remain involved, would you be willing? Know your needs, but be willing to compromise. The more flexible you are, the better your chance of reaching a mutually satisfying agreement.

CONSULT WITH A CPA

Finally, be aware that when it comes to selling your business, there are a number of financing options to consider. In addition, you'll need to determine and negotiate your future involvement. A CPA can help you address these and other issues associated with the sale.