



Thinking of buying a business?

There has been a huge growth in the SME (small business) market in Australia.

In going into business the options are either to establish your own business and endeavour to develop it, or alternatively, to acquire an existing business, which should ostensibly provide a cash flow from day one. There are risks entailed in either option.

With regards to business acquisitions, the following factors are essential for consideration prior to proceeding on such a course of action:-

1. The structure by which the business will be operated, whether it be by way of company, partnership, trust or sole trader.
2. The structure of the business should be determined by reference to not only tax implications, but also asset protection issues.
3. The financial statements should be scrutinized carefully and analysed by reference to the income tax returns and BAS statements that have been lodged for the business entity, together with the relevant industry benchmarks.
4. The extent to which the success of the business has been dependent upon the reputation and networks of the proprietor.
5. External factors that affect the business include industry and technological developments and location issues. Due to rapid advances in technology industries such as those involved in the processing of photographs have gone through extensive restructuring.
6. Where the business premises are leased regards must be had to the period of the lease and whether there are any re development plans for the medium term. Generally, from a risk management perspective it may be appropriate to have short term leases which contain several options to renew.
7. If there are staff employed by the business regards must be had to issues including occupational health and safety, accrued entitlements and whether there has been an accident within the past 3 years. Workplace accidents translate into significant workers compensation premium loadings.
8. Ascertain the licences that are required for the business and whether there is any specific legislation that governs and regulates the operations of the business.

The above is just a brief overview of the major factors that should be considered in a proposed business acquisition and professional legal and financial assistance should always be sought

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