

Preparing To Sell?Getting things in order

So you're planning to sell your business. Congratulations! Perhaps you've already gotten a business valuation, and now you're thinking of putting your business on the market. Not so fast! Before you begin to deal with buyers and fielding offers, you'll want to do a little internal housekeeping to prepare for the upcoming process.

Make sure you're on the up-and-up with the taxman

No one likes to pay taxes, and business owners can be particularly inventive when it comes to finding deductions. However, income taxes are crucial in the years immediate before the time you plan to sell your business. It's proof to both the buyer and the banker that your business has been profitable. If you under report your profits for the sake of paying lower taxes, you might end up losing that cost in your business' valuation' and ultimately in the offer you receive to sell it.

Stop mixing business and pleasure

While it's common to mix non-business assets and expenses with those related to the business, this isn't a good idea. Eventually, this combination is going to make it very difficult not only to determine the actual business value, but also to determine what's included in the sale of the business. Buyers are banking on future profits'and the more productive your business is, the more its worth. Eliminating non-business related expenses is simply investing in your company's long-term health.

Give your finances a check up

You probably get an annual physical, and your business deserves the same care. When a buyer begins to pursue your business, they're going to discover anything you've been hiding. Don't let them surprise you! Take a look at your business as if you were the potential buyer. Look for any potential problems that might cause someone to give you a lower offer than you're looking for. Fixing those problems now could result in higher valuation and bigger profits when you sell.

Compliance is mandatory

You might think that rules and regulations are simply interfering with your growth and profit potential, but if you've been ignoring them, it's going to hurt you when you sell your business. Buyers are absolutely thorough, and they will discover any illegal activities you may be partaking in. Non-compliance can ruin a potential deal, as well as land you in a load of trouble. Take the opportunity now to clean up any compliance issues and it will only help you later.

Get your papers in order

Even if you're not planning to sell immediately, you should always have your records organized and available. You never know when the perfect offer could come along'even if you're not looking for it. And if you are planning to sell soon, chances are you'll need the following documents handy:

- Three to five years of income tax returns
- Copies of one to three years of quarterly payroll reports
- Three to five years of CPA prepared financial statements
- Current year-to-date financial statements
- Detailed depreciation schedules listing each fixed asset owned by your company
- Corporate Minute Book with updated minutes
- Recent aged accounts receivable trial balance
- Recent aged accounts payable trial balance
- Company organization chart
- Copy of the Summary of Insurance Coverage (provided by your carrier)
- Information about Employee Benefits provided by the company
- Information about Employee Retirement Plans
- Copies of labor contracts
- Copies of other contracts to which the company is a party
- Copies of licenses, registrations for patents, copyrights, trademarks, etc.

Make sure your documents are kept up-to-date and easily accessible and it will definitely help the process move along more smoothly.

Of course, selling your business is an exciting and challenging task, but these general rules will help you start the process in an orderly manner.