

Evaluation Checklist

Throughout this Business Planning Package we have emphasized the need for careful analysis of any proposed business acquisition to ensure a valid evaluation, fair to both buyer and seller.

This evaluation Check List provides an opportunity to systematically record the results of your analysis, and summarize your investigation of the reasons the business is for sale, the profit record, the assets and liabilities and the general background of the business. This information plus a brief analysis of the financing requirements should enable you to make a more accurate decision regarding the value of the business.

A. Reasons for Sale

Stated reason: _____

More likely reason:	Yes	No	Maybe
Competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Declining Business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poor Product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expiring Lease	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expiring Franchise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Obsolete Facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Further Analysis Needed:	<input type="checkbox"/>	<input type="checkbox"/>	

Comments: _____

B. Assets & Liabilities

Inventory

Analysis	Age	New <input type="checkbox"/>	Average <input type="checkbox"/>	Old <input type="checkbox"/>
	Quality	High <input type="checkbox"/>	Medium <input type="checkbox"/>	Low <input type="checkbox"/>
	Salability	Good <input type="checkbox"/>	Average <input type="checkbox"/>	Poor <input type="checkbox"/>
	Style	Good <input type="checkbox"/>	Average <input type="checkbox"/>	Poor <input type="checkbox"/>
	Condition	Good <input type="checkbox"/>	Average <input type="checkbox"/>	Poor <input type="checkbox"/>
	Balance	Good <input type="checkbox"/>	Average <input type="checkbox"/>	Poor <input type="checkbox"/>
	Freshness	Good <input type="checkbox"/>	Average <input type="checkbox"/>	Poor <input type="checkbox"/>
	Other ()	Good <input type="checkbox"/>	Average <input type="checkbox"/>	Poor <input type="checkbox"/>
Further Analysis	Yes <input type="checkbox"/>	No <input type="checkbox"/>		

Comments _____

Evaluation (Personal) \$ _____ (Vendor) \$ _____

(Difference + or -) \$ _____

Bad Debt Percent = $\frac{\text{Total Dollar Bad Debt*} \times 100}{\text{Total Dollar Net Sales}}$

*From Operating System

Comments _____

Other Assets

	Yes	No	Maybe	Bal. Sheet/ Vendor Value	Personal Evaluation	Difference (+ or -)
Leases	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____	\$ _____	\$ _____
Customer Lists	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____	\$ _____	\$ _____
Franchises	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____	\$ _____	\$ _____
Trade Marks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____	\$ _____	\$ _____
Patents	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____	\$ _____	\$ _____
Others	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	\$ _____	\$ _____	\$ _____

Comments _____

Personnel

Numbers _____ (Total Staff)

Key Personnel	Title _____	Remaining	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	Title _____	Remaining	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	Title _____	Remaining	Yes <input type="checkbox"/>	No <input type="checkbox"/>
	Title _____	Remaining	Yes <input type="checkbox"/>	No <input type="checkbox"/>

Additions needed Yes No
 Reductions needed Yes No
 Unionized Yes No

Comments _____

C. Profit Record (From the Financial Statements provided by the vendor, determine the following data)

Financial Statements Supplied:

Balance Sheet	19____	19____	20____	20____
Operating Statement	19____	19____	20____	20____

Summary of Results

	Year 19____	Year 20____	Year 20____
	\$ %*	\$ %*	\$ %*
Operating System	_____	_____	_____
Gross Profit	_____	_____	_____
Net Profit	_____	_____	_____

*Gross Profit, Net Profit should be reflected here as a percent of sales

	Year 19____	Year 20____	Year 20____
	\$	\$	\$
Balance Sheet			
Accounts Receivable	4		
Inventory	5		
Other Current Assets	6		
Total Current Assets	7		
Fixed Assets	8		
Total Assets	9		
Bank Loans (Line of credit)	10		
Accounts Payable	11		
Other current liabilities	12		
Total current liabilities	13		
Long term loans	14		
Total liabilities	15		
Net Worth	16		
Working Capital (7-13)	17		

Financial trends: (Analyze carefully for both positive and negative changes) _____

Comments _____

Pricing Formula

1) Tangible Net Worth:

Total Assets		\$ _____
Less: Total Liabilities	-	\$ _____
(Current <i>plus</i> Long Term)		\$ _____ (#1)

2) Current Earning Power:

Tangible Net Worth (#1)		\$ _____
<i>Times</i>		
Current Interest Rates	X	_____ %
		\$ _____ (#2)

3) Reasonable Annual Salary:

\$ _____

4) Total Earning Capacity:

Current Earning Power (#2)		\$ _____
<i>Plus</i>		
Reasonable Annual Salary (3#)		\$ _____
		\$ _____ (#4)

5) Average Annual Net Profit (From Income Statement):

Total of Profit for Years Available*	\$ _____
<i>Divided by</i>	
Number of years used	/ _____ years
	\$ _____ (#5)

*Before Owner's Salary, Withdrawals or Income Taxes