

10 Questions Everyone Should Ask Before Signing on the Dotted Line

Before buying a business, it is good to ask relevant questions. It is not a time to be shy. An Entrepreneur magazine article, “10 Questions You Must Ask Before Buying a Business”, explores some key questions buyers should be asking before committing to a deal.

First is, “What are your biggest challenges in this business?” It is a significant issue to help avoid surprises after buying a business.



“What would you have done differently?” is a question that can lead to valuable insights. Every business owner should be an expert regarding his or her business. Tap into that expertise in helping to support your decision to buy a business. The answer may shed light on areas of potential growth or operational improvements. Often when selling a business, it is presented without an asking price. In the negotiations, if price becomes an issue to resolve, it can be useful to share your value rationale and to ask the seller to do the same. The discussion of what business is worth is a great way to understand the value factors. This may be the asset values, earnings, sales, opportunities, synergistic value, or any combination of these. In the end value is in the eye of the beholder, and deals happen when buyers and sellers of companies find enough common ground to strike a deal. M&A brokers and advisors know, the buyer is seldom buying what the seller thinks they are selling.

The fourth question is, “If you can’t sell, what will you do instead?” This may give you insight into the bargaining power you may have, which can be helpful in structuring a deal or negotiating price or terms. However, most sellers are savvy and will not lay out a weakness to be preyed on in responding to that question. A frequent, and appropriate response is, “That’s my private information”.

“How will you document the financials of the business?” is key and should be asked and answered very early in the process. If represented by an experienced M&A broker and advisor, an investment banker, or business broker, the party selling a business should be very well prepared to answer this question. It is an essential aspect of successfully buying or selling a company.

It is a central concern to know what it takes to run the business. This can be asked as, “What skills or qualities do I need to run this business effectively?” A prospective buyer must be a good fit for a business or otherwise a great business may not perform as expected.

Ask, “Do you have any past, pending or potential lawsuits?” Knowing whether or not you could be buying liabilities or future headaches is smart to get on the table early in your investigations.

Other key questions include: “How well documented are the procedures of the business?” and “How much does your business depend on a key customer or vendor?” as well as “Can I expect your employees to remain after you exit your business?”

When it comes to buying a business, understanding what you are getting is vital, and answers to your questions are helpful for building that understanding. Jan Porter, the author of Entrepreneur’s article quotes an experienced business owner who noted, “The more questions you ask, the less risk there will be.”

Another great way to gain understanding and reduce risks is to work with people who are selling a business with the guidance of an experienced mergers and acquisitions broker, investment banker or business broker. These M&A professions are experts at knowing what kinds of questions to ask and when to ask them. Most times they will have the answers ready at hand from the start of your discussions, so that you can ultimately make the best possible decision.

About CK Business Consultants, Inc.:

CK Business Consultants, Inc. has been dealing exclusively in the sale and acquisition of petroleum and propane related mid-market companies since 1976. We are qualified, experienced, and highly professional intermediaries working with both buyers and sellers in the successful transfer of business ownership. We handle all phases of the project including initial analysis, valuations, developing a confidential information memorandum, locating qualified buyers, negotiations, and execution of the transaction. For more information, please call or email Gary Papay @ 570-584-6488, gpapay@ckbc.net or visit our website @ www.ckbc.net.

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