

November - In This Issue:

WHAT IS MY BUSINESS WORTH?

WE BRING YOU SERIOUS BUYERS

COMMON BUSINESS SALES
MYTHS

IT ALL STARTS WITH YOU

INDUSTRY KNOWLEDGE & ACCESS TO BUYERS NATIONWIDE

Our presence as a Professional Business Broker is extended nationally as a result of being an affiliate of



[BHarmony.](#)

[LLC.](#) We also bring decades of experience and functional expertise in all the popular market segments as a result. Nothing takes the place or value in that of experience.

We partner with our clients to deliver solutions that help solve their most complicated needs prior to, during, and at the conclusion of the selling process. Our services are designed specifically to help small/medium size businesses and at a small business price. We go beyond the norm to develop new insights, prepare, market and drive results in the sale, thus insuring you receive the most

Inadequate Record-keeping/Accounting Systems/Financial Reports When Selling a Business

In the last issue we discussed Achieving a Partial C-Corporation Tax Benefit. In this issue we'll cover another set of major obstacles to a successful business sale: Inadequate Record-keeping / Accounting Systems / Financial Reports.

A Favorite Famous Quote

"When you have mastered numbers, you will in fact no longer be reading numbers, any more than you read words when reading books. You will be reading meanings."

Harold Geneen

In my career as a business broker I've encountered two major surprises: (1) the amount of "under the table" cash that business owners claim to receive is incredible (because I don't believe the high amounts claimed by most of them, and neither will prospective buyers); and (2) the record-keeping, accounting systems and financial reports of a great majority of small businesses is sub-standard to say the least.

Sub-standard is a strong term, but the point needs to be made. Perhaps having encountered this in many of the businesses I have represented, I'm more sensitive to the issue.

However, you need to know that Inadequate Record-keeping / Accounting Systems / Financial Reports are huge obstacles that might prevent the sale of a business.

And, surprisingly, it is more common than not. It's one of the major reasons that only about 20-33% of all small businesses are sale-able. But it is a factor well within your control.

Benefits of good record-keeping when selling a business

There are other significant benefits to maintaining good record-keeping, accounting systems and financial reports. Small

value at closing. [Learn More](#)

Avoid Common Business Sales Myths

Myth #1 - I Can Sell It Myself

Many owners believe they're qualified to sell their business without professional assistance, but selling a business is not like selling a product or service. If you're looking to sell on your own, confidentiality is lost. If word of a potential sale gets out, there are definite risks of losing clients, employees and favorable credit terms.

Do you really have the time to run your business and compile marketing materials, advertise, screen buyers, give tours and facilitate due diligence? When you're looking to sell, you want to put even greater emphasis on running your business, boosting your sales, and not taking on new challenges.

Myth #2 - I'll Sell When I'm Ready

Certainly, an owner wants to be sure he or she is mentally and emotionally prepared to sell. But personal readiness is just one factor.

Economic factors can have a significant impact on the sale of a business.

Sale prices can be affected by industry consolidation, interest rates, unemployment and many other economic measures. Talk with a professional and aim to sell when your personal goals and market conditions align.

Myth #3 - I Know What it is Worth

Some owners will base the company value on what they need for retirement. Others will tell you they want \$100,000/year for "sweat equity."

A third party valuation is a good idea for anyone seriously considering the sale of their business. An outside valuation will include a thorough analysis of the business and the market it operates in. This will provide a solid understanding of the

businesses should use monthly or quarterly financial statements to monitor the progress of the business. The financial statements should provide reliable information that can be used as the basis for making decisions affecting the profitability of the business. Meaningful financial statements are also necessary to obtain lender financing. But they are crucial when trying to sell a business. Nothing will make a prospective buyer run away faster than Inadequate Rerecording / Accounting Systems / Financial Reports.

Meaningful financial statements are critical when selling a business

During the due diligence process a buyer will likely request annual financial statements and tax returns for the last 5 years as well as monthly financial statements for the past 3 - 5 years. For a variety of reasons many, if not most, small businesses are not producing meaningful monthly financial statements. Without getting too technical, preparation of accrual-basis financial statements is the only way to produce meaningful data. Many accounting software systems rely on cash transaction reporting and require a few month-end adjustments to balance sheet accounts (i.e., inventory, accounts receivable, accounts payable, loan payments, etc.) to produce necessary monthly financial information. In most instances, an in-house accountant or controller can accomplish these reports. If your firm is trying to get by with a bookkeeper (as opposed to an accountant), that may suffice generally, but you need to consider retaining your outside accountant/CPA to compile meaningful monthly financial statements from the records provided by your bookkeeper.

Even in good situations, prospective buyers of a business face a fair amount of risk. Almost all buyers and their advisors will walk away from a business they can't get a handle on because of Inadequate Record-keeping / Accounting Systems / Financial Reports. From a buyer's standpoint, it's an expensive proposition to fight through financial statements that are incomplete, inconsistent, erroneous or meaningless. It's the rare prospective buyer who is willing to fight that battle. And rest assured, because Inadequate Record-keeping / Accounting Systems / Financial Reports produce more questions than answers, it will be reflected in the price a buyer is willing to pay.

Inadequate Record-keeping / Accounting Systems / Financial Reports are major obstacles to a successful business sale. Are your records adequate? Are you producing meaningful monthly financial statements?

Another Favorite Famous Quote

"The faster you want to get rich, the more accurate with numbers you must be." Robert Kiyosaki

company's growth potential, not some vague industry average.

Myth #4 - It's Like Selling a House

Selling a company is much more complex than selling a house. A successful business sale usually requires a great deal of pre-planning, at least a year and maybe as long as three years to drive sales, develop key staff, document the operations and control expenses. The average house will sell in less than four months, while the average business sale is nine months to a year. Even after the business is sold, the seller can be expected to put in at least a few months, and possibly years of transition time, helping to make the new owner a success.

It All Starts With You

"All personal achievement starts in the mind of the individual. Your personal achievement starts in your mind. The first step is to know exactly what your problem, goal or desire is."

W. Clement Stone

DON'T MISS OUT - Interest rates are low, Strategic Buyers, Family Offices, and Private Equity Groups are very active. It costs nothing to discuss the value of your Business - [contact](#) us.

Next Issue: *Why You Need To Develop A Business Exit - NOW!*

What Is My Business Worth?

It will cost you absolutely nothing and there is no obligation in giving us a call or an [email](#) to request a simple valuation of your business. Relying on a professional that understands your industry is important. It is also wise to work with someone who is aware of current trends; and that is working with both buyers and sellers daily. This approach insures you plan for and receive the maximum return on the transfer of your business.



John W. Zoellner
Zoellner, Garten & Co.
Cincinnati, Dayton OH
513-852-2400



Terry D. Wagner, Sr. Vice President
James R. Sachs, Sr. Vice President

