

Help Sheets for Dentists – Selling Your Practice

Selling a small business could be a desirable option for a number of reasons, ranging from a change of lifestyle to the threat of bankruptcy. First the owner has to be 100 per cent sure that they want to sell. Then the accountant takes on the role of financial trouble-shooter and go-between.

By working within the confidences of the client, an accountant should have access to all the business's documentation. They then set about the task of ensuring that the paperwork is both impressive and transparent, in order to iron out any creases in the sale process. In short, the business needs to present all the facts and figures that the accountant of the potential buyer expects to see.

Sales figures stand out as proof of the business's worth. These can be increased through aggressive campaigning or through offering special deals for customers in the months preceding a sale.

A small business can easily reduce its apparent costs by avoiding large purchases before going on the 'for sale' market.

There are certain expenses that need not be listed, such as the cost of running company vehicles when they are used mostly for personal use.

Information systems should be up-to-date and accurate because this will instil trust and confidence in a potential buyer.

Care over presentation and attention to detail will avoid any awkward misunderstanding when the business reaches the deal making stage.

Before selling, the business should undergo an official evaluation which takes into consideration both tangible and intangible assets. This will indicate a reasonable price against which the various bids can be compared. Bidders who fall beneath that amount may be rejected while other bidders should be encouraged to compete between themselves, thus raising the price.

Once the most attractive bid has been isolated, the long process of clinching the deal begins.

The preferred buyer should be able to prove their credentials with financial documents and a general transparency about the deal.

Liabilities, responsibilities and the form of payment need to be discussed in detail.

Main terms of the sale should be set out in a preliminary agreement known as Heads of Terms or Heads of Agreements.

Buyer and seller should agree a timetable for the sale, so that there is an obligation to complete the transaction by a set date.

Before the sale can be deemed 'safe', detailed due diligence is necessary. This takes place after signing the Heads of Terms and is the concern of accountants on both sides of the sale. The accounts must be checked thoroughly and all documents should be examined. Often the buyer will ask the business's customers and suppliers for their opinion.

The accountant's crucial role is to read a draft of the definitive agreement before the client commits to the small print.