

Become a Due Diligence Detective:

INVESTIGATE BEFORE YOU BUY

by Leonard S. Moskowitz

When most people are about to purchase a business, they naturally feel a bit anxious, excited, and in a rush to close the deal. Often they will be caught up in the moment and will bypass the detailed research and background information necessary to make a truly informed decision. Before you sign on the dotted line, consider performing due diligence, an investigative process designed to protect your interests by providing objective and reliable information on the target business to assist you in making the best possible decision.

THE RIGHT APPROACH

You have decided to investigate your target business, but where do you begin? Some people use the due diligence process to look for obvious problems with the business. Others simply want to verify that what they have been told is true. In order to effectively conduct due diligence, you need to have a bit of both philosophies as well as a third, which is of equal importance: determining what is at the heart of the business. This allows you to identify which opportunities exist that you will be able to exploit in order to grow the business once it is yours.

Due diligence is the best mechanism available to truly determine if it is a "good" business. The due diligence period is the time to check everything out, not just the financials. It allows you to learn enough so that you can begin to formulate a strategic business plan to implement under your ownership. This way, you can hit the ground running as the ink is drying on the contract.

WHAT SHOULD BE EXAMINED?

Everything! A proper due diligence goes far beyond the financial analysis. All aspects of a business are researched, including:

- Financials
- Sales
- Employees
- Competition
- Contracts
- Legal Concerns
- Tax Matters
- Assets
- Marketing
- Systems
- Customers
- Suppliers
- Corporate Environment
- Regulatory Requirements

These areas are thoroughly investigated via analysis of documents requested from the seller, independent research (including discussions with key sources), as well as by developing relationships with the seller and the employees of the target business.

UTILIZE YOUR ACCOUNTANT'S EXPERTISE

Your accountant must play the lead role investigating the financials and should champion the entire due diligence effort. You need insight into the target's financial picture as well as access to knowledge of tax laws and accounting rules for business combinations. Your accountant can help you discover little-known land mines that can kill a deal, such as significant pension plan

liabilities, hidden workers' compensation costs and unresolved tax problems.

Your passion and excitement for the business may (understandably) taint your findings should you attempt to investigate solo. Leonard S. Moskowitz acts as a facilitator and, therefore, is able to research, gather and evaluate information in a neutral, unbiased fashion. We develop relationships with both the seller and the buyer to make the purchase process as seamless as possible. By establishing an immediate and sound relationship with the seller and the employees, we are able to obtain supplementary information about the company and its operations that may not be accessible elsewhere.

IDENTIFY THE TRUE VALUE OF THE BUSINESS

Once the investigation has been completed, the findings will be translated into the value this business holds for you (for example, if you negotiated to purchase the business for a million dollars and our research indicates that the business is worth less, we would recommend a reduction in the initial purchase price.). We will not provide an official opinion as to whether or not to proceed with the transaction, but we will provide you with all of the background information necessary for you to make a truly informed decision.

OPERATING YOUR NEW BUSINESS

You have finalized the business transaction. What is the next step? Once the purchase is complete, we can assist you with the internal functions of your newly acquired business. Your strategic business plan that was initiated during the due diligence process is now finalized and implemented. He will provide you with expert guidance to create a dynamic team of employees, structure your business from the most beneficial tax standpoint, and create monthly financial reporting to monitor and manage your operations.

INVESTIGATE BEFORE YOU BUY

Contact Leonard S. Moskowitz before you sign on the dotted line. As your due diligence detective, I will provide the answers to the specific questions that must be asked before a commitment is made and will help you develop a strategy for a successful acquisition and ownership. His multi-disciplinary team of professionals can walk you through the entire process: from start to finish, and beyond.

Leonard S. Moskowitz specializes in Due Diligence.

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