



## Special Report

### "Hidden Traps in Buy-Sell Transactions"

*Everything you wanted to know, but were never told.*

**B**oth the buyer and seller are interested in financial information, affecting the buy-sell transaction. However, since the seller already has this information, it is absolutely **crucial** for the buyer to get this information, and make use of it as much as possible.

The buyer can usually find financial information in the following places:

- (1) financial statements
- (2) income-tax returns
- (3) other internal records
- (4) other external sources.

The results of the financial transactions of every business should be reflected in its periodic financial statements.

These statements are **extremely** important in buying or

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selling a small business. They were **prepared** for the seller, of course, and their contents are available to him or her.

But the buyer, too, should be aware during the early stages of a buy-sell transaction of the information contained in financial statements.

### **BALANCE SHEET AND INCOME STATEMENT**

The balance sheet is a statement of the financial position of the business... at a given moment in time.

The income statement is a summary of the revenue and expenses of the business during a specified period of time. These financial statements **show only the past results** of the company's transactions. The results of future operations may or may not be similar.

**Balance sheets** and income statements in themselves contain important information, but they are most useful when a professional accountant makes a **detailed** analysis of them.

A complete analysis includes a review of the manner in which the statements were prepared, and perhaps also a review of the records and control features of the accounting system.

This is **especially** important in a small business buy-sell transaction because the financial statements of smaller businesses are not usually as professionally prepared as

(Report Excerpt)



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