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Timing is Everything

Set Yourself up to Successfully Sell your Practice

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Take a few moments
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your neighbour

Today's speaker



Tammatha Denyes, CPB
TD Accounting Services
President
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Today's speaker



Tammatha Denyes, CPB
Director, IPBC Board
@IPBC_Canada

Agenda

What Should You Prepare

Determine the Selling Price

**List your Practice, Negotiate & Finalize
Handover**

Agenda

What Should You Prepare



Your Practice Profile

An In-depth document that provides the buyer with information to make informed decisions



Practice Profiles should include:

- Executive Summary
- Background Information
- Owners reason(s) for selling
- Services and/or Products
- Suppliers
- Client Analysis
- Financial Analysis
- Human Resources
- Tech Applications
- SOP's

KEY TAKEAWAY: A concise and comprehensive Practice Profile will not only provide the buyer with key information, but will speed up the selling process!

Agenda

What Should You Prepare

Determine the Selling Price

Determine the Selling Price

Step One – Determination of Value



Determination of Value **

- What is the Top Line Revenue?
- How many total bookkeeping hours to generate this revenue?
- Apply a “commercial” hourly rate for these hours, say \$40
- Multiply “B” x “C” = Cost to Generate Revenue
- All registration, insurance, memberships, equipment, software, education costs
- Prima Facie “Business Profit” = “A” minus “D” & “E”
- Apply a rate of return for a personal service business

**can provide resource if requested

Determine the Selling Price

Step One – Example

Assume the following:

- Gross Revenues of \$650,000
- 5 current bookkeepers on staff
- Expenses of \$515,000

Determination of Value

- What is the Top Line Revenue?
- How many total bookkeeping hours to generate this revenue?
- Apply a “commercial” hourly rate for these hours
- Multiply “B” x “C” = Cost to Generate Revenue
- All registration, insurance, memberships, equipment, software, education costs
- Prima Facie “Business Profit” = “A” minus “D” & “E”
- Apply a rate of return for a personal service business

Determination of Value

- Gross Revenue = \$650,000
- 5 bookkeepers x 35 hours per week x 52 weeks = 9,100 hours
- Apply a “commercial” hourly rate of \$40
- Cost to Generate Revenue = 9,100 x \$40 = \$364,000
- All registration, insurance, memberships, equipment, software, education costs = \$125,000
- Prima Facie “Business Profit” = \$650,000 – (\$364,000 + \$125,000) = \$161,000
- Apply a rate of return = \$161,000 x 15% = \$185,152

There are many different calculation methodologies ~ This is just an example of calculating using Gross Revenues

Determine the Selling Price

Step Two – Consider Guarantees

Two Possible Types of Guarantees to Consider

Seller Guarantees

- Collection Pricing
- Look-Back Pricing/Retention or Clawback Pricing

Without Seller Guarantees

- Cash Pricing
- Fixed Seller Financed Pricing



Agenda

What Should You Prepare

Determine the Selling Price

List your Practice, Negotiate & Finalize

List Your Practice & Negotiate

Privately or Publicly

- Word of mouth
- Friends/Family/Colleagues
- Real Estate Agent - Commercial
- Online – Agent or website
- Magazines/PO Box/Newspaper etc



Document & Finalize the Negotiated Sale



Contract Issues to Consider

- Due Diligence
- Staff Entitlements
- Restraint of Trade
- Period of Continuance
- Transfer of Business Name
- Retention Clause
- Office/Equipment Leases
- Public Notifications
- Intellectual Property
- Website

This is just the beginning of information you may want to discuss or include. Having a team of professionals (Accountant, Lawyer, etc) will help you navigate through this complex closure of sale

Agenda

What Should You Prepare

Determine the Selling Price

**List your Practice, Negotiate & Finalize
Handover**

Handover

Now the Work Begins



Introduction to Clients

- The vendor is usually available for a period of time after the sale to facilitate introductions.
- How this is handled can and will affect retention of staff and customers and will ultimately affect the eventual release of any retention funds
- Normally a letter is sent to client's to inform them of the change of ownership and inviting them to a function where the existing and new owners are both in attendance
- You could instead just reach out to the major customers on a one to one basis to instill comfort and confidence in the change-over

Handover

Now the Work Begins

Becoming Familiar with Office Procedures & Systems

- Provide the new buyer with SOP's that outline the current procedures and systems to ensure a smooth transition for the customers.
- Minimizes disruption to routine and leads to a seamless transition.

Employee's

- Discuss employee files with the new buyer. Discuss recent performance appraisals and outstanding discipline actions



Handover

Now the Work Begins



Notify Interested Parties

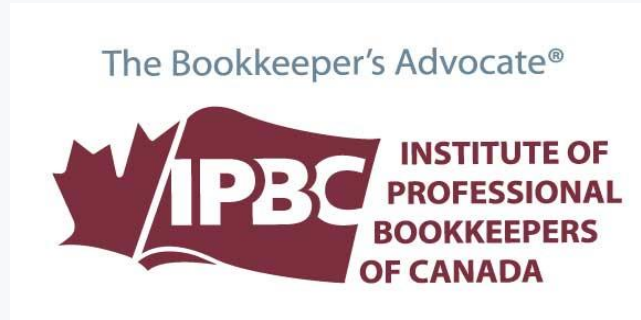
- Insurance companies
- Governing bodies
- Memberships at Organizations (Chamber of Commerce, IPBC, etc)
- All third parties under contractual arrangements (vendors)



Your Attitude, not your aptitude, will determine
your altitude.

- Zig Ziglar





IPBC provides the environment, knowledge, and resources its members need to develop excellence in bookkeeping, through education, networking, advocacy, information and research.

The focus is to create member value and benefits that in turn contribute to creating a stronger trust relationship with Canadian business.

Questions?

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