

CLOSING YOUR BUSINESS CHECKLIST



Interested in selling your business? Many business owners have an idea in their heads of what their business is worth, but if you want to attract buyers you need to base your valuation on the business' tangible assets.

How to find the value of your business:

Option 1: Rule of Thumb Method: Take your yearly positive cash flow and multiply it by four. For example, if your small business generates a positive cash flow (net profit) of \$60,000 per year, it would have a value of \$240,000 by using the rule of thumb formula.

Option 2: Market Method: Add your inventory & equipment value to the product of your net profit and your chosen multiplier. For example, if the product of your multiplier and your net profit is \$150,000, & your inventory & equipment are worth \$60,000 and \$20,000 respectively, an appropriate selling price would be \$230,000.

Total Value of Inventory (\$60,000)
+Total Value of Equipment
(\$20,000)
Total Assets = \$80,000

Annual Net Profits (\$100,000)
* Market Multiplier (1.5)
Product = \$150,000

Total Assets + Product = Value of your Business! = \$230,000

Once it's time to sell, follow this checklist:

1. Determine your legal ability to close via your lease or other binding contracts
2. Collect outstanding accounts receivable
3. Determine the debt & value of your business, this is a great time to do inventory!
4. Will you hire a consultant to help with your sale or do it on your own?
5. Inform your employees (first), customers, etc.
6. Sell all inventory and assets (don't forget about your intellectual property)
7. Notify creditors and pay outstanding debts
8. Process final payroll tax forms
9. Process final sales tax form and pay what's owed
10. Process final income tax return
11. Process final employer tax returns
12. Notify all state agencies of business closure, respective filings
13. Distribute remaining cash or assets to all owners