



The Number One Problem With Selling a Business

By Michael Stier | FocusCFO

I continued to be amazed by the lack of understanding and importance placed on accounting records by business owners. These are not small mom & pop operations; I am talking about companies that bring in \$20, \$50 and even \$100 million in revenue! The business owners have run these companies for as long as 30 years based on “gut feelings” and “shooting from hip”. While they have been successful, they have likely left a lot of money on the table over the years. They have not invested in their accounting department or accounting records because they consider it “overhead”. While they may have a bookkeeper and Tax CPA, they do not have a strong accounting department led by a real CFO.

Don't leave any money on the closing table! Avoid the trap of having your business value discounted. Make the investment in real financial management and solid accounting records - and enjoy the business value you deserve.

The Value of Good Accounting Records

Some companies fail because they do not have solid U.S. GAAP financials when times get tough, and others manage to survive with street smarts. But when you want to sell your business the first thing a potential buyer or Investment Banker will ask for is your most current financial statements. Warning to business owners, this does not mean the cash basis or tax basis financials your Tax CPA may prepare for you. Your Tax CPA is NOT the one that will prepare your U.S. GAAP based Managerial Financial

Statements. In order to sell your business and obtain the highest value possible, your company must have solid accounting records and financial statements that are U.S. GAAP or IFRS based. These are most likely accrual basis financial statements. If you are a manufacturer or in construction, you need good cost accounting records. You need to have good internal controls, written process and procedures in place. You also need to have a timely set of month end, quarter end and year end financials.

Cost V. Benefit

You can still sell your business if you do not have any of this; I have seen it happen. Anything can be sold; the question is at what price? Companies lacking a solid accounting department and records are likely to leave millions of dollars on the table when it's time to sell. For example, a business can expect to spend ~\$75k annually to have an experienced fractional CFO come in to shore up the financial management and records. Doing so could yield MILLIONS in value at the closing table. Yet so many business owners do not seem to understand this or see the value. This is what I struggle to understand.

The lack of solid accounting records and timely financial statements causes questions, delays and likely a reduction in price when it's time to sell. This is a reality I have seen repeated time and time again. Yet getting business owners to understand this simple cost vs benefit is a daily battle!

To Business Owners

You've built a good, successful company and likely made a lot of money over the years. Whether you were running your business based on "gut feelings" or your own knowledge, you may feel at times you were "sailing blind" and didn't have the tools to know exactly what the financial performance or health of the business was.

At some point it will be time to sell. You'll be asked to provide financial statements for the most current period and likely the last 3 years. These financial statements must be according to U.S GAAP or IFRS standards in order to maximize the value of the company. If your financial statements are not up to these standards, invest in your business and hire the team you need to correct them.

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Founded in 2001, FocusCFO is the leading onsite fractional CFO services provider in the Midwest and Southeast. FocusCFO works closely with small to medium sized businesses helping business owners gain control over three key financial and operational areas: increasing cash flow, reducing business risk, and creating a platform for scalable growth. This allows business owners to then realize full financial control and increased value in their businesses. For more information, visit us at focuscfo.com or follow us on [LinkedIn](#).