THERE'S A SOLUTION FOR THAT

Avoiding the Risks Associated with Buying or Selling a Bookkeeping Practice – Checklist

Buying a Practice Discovery Checklist	Completed?
Verify how involved the current owner is in day-to-day operations. Less is preferred.	
When was the last vacation the owner took and how long were you able to be away from the business?	
Understand current staff and who's doing what day-to-day. Who's crucial to the ongoing operation vs who's doing a job that is possibly easier to replace or may not be needed after the purchase?	
Where is the staff located, and how do they work? (all local? in-office?, remote or hybrid?, set hours or flex?) - how does this fit with YOUR culture or expectations?	
What benefits does your current staff currently receive? (managing expectations if you have or don't have comparable benefits)	
Is the staff W2 or 1099? (could affect benefit costs and overhead or not, and depending on before/after company size could put you over certain labor law thresholds, such as 25, 50, etc.	
What is the Sellers goal and vision for what happens to the company, people, clients post-sale, as this can impact Seller's decision. If you aren't willing to do what seller expects, it could cause mutual frustration later. (example: seller expects everyone to keep their job, but you don't need the team, or expects everyone to continue working remote but you want them to come to office).	
Does Seller want to stay on in any capacity, or only during transition? (consult for you, keep working specific clients, do project work?) Maybe they want to continue, but only doing a certain role like biz dev)	
What does Seller plan to do post-sale? Non-Compete for 3 years in same geography?	
What is Sellers' preferred timing? (next 90 days, next 180 days, next 365 days, longer?) Do their timing expectations match yours? Are there good/bad times to do it in spite of expectations….such as middle of tax season.	

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Does Seller have preferences in terms of WHO they want to sell to? (ie, Local CPA Firm, Nationwide provider?). Might depend on services currently being provided vs what services you provide. If seller has preconceived idea of who they want to sell to and you aren't it, it's an uphill battle and might end up being a waste of time for everyone, in spite of your arguments to why you are a good buyer.	
Any kids/family members considering or capable of taking over the business? Sometimes yes, sometimes no. Any working in the business now vs waiting in the wings for the parent to retire? Can be a source of conflict. Just know the room.	
Are clients concentrated in any particular industry or geography? Could be good/bad depending on your perspective. Might impact your sales tax nexus in certain states if sales are concentrated in particular states or you are near nexus thresholds.	
Do you perform any work onsite at Client location? Any clients come to your office? Or are all services provided remotely? Again, now we're managing client expectations before/after the sale.	
Is Seller still taking on new clients? What would happen to new clients approaching Seller post-sale? (Refer to you? Rev Share?) You should have a referral agreement in place for new clients and rate to pay for those referrals since those would be outside initial business purchase terms.	
How many clients are currently being included in this purchase, and how long have they been with Seller? Again, not necessarily good or bad depending on the answer. But short term clients might just as easily find another firm. Long term clients might have a stronger relationship with the seller and not want to move, etc.	
Do you want to sell 100% of your clients, or pick and choose which clients to sell/keep? Often it's all or nothing, but that doesn't have to be the case. Maybe you just want the ones that are a best fit for your practice.	
How has Seller acquired current clients? (organic, referral, purchased from another firm?) This might have an impact on post-purchase client retention. Ie, if a client was referred to a business, but not YOU, then they might not be as loyal, vs someone that signed on organically. If purchased from another firm, might lead a client to feeling lake a pawn. Good to understand the history.	

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Do clients know who is doing their books? How attached are clients to any particular staff member or owner? If you are keeping staff, might not matter, but if not keeping staff it could lead to more disruption.	
Are any staff members in a position to start their own practice and "take" clients with them? This happens all the time…and while it's hard to control, you need to develop a communication plan for both customers and staff, and ensure data protection protocols are in place.	
How many clients are currently under annual agreement, with monthly recurring flat rate services? (is a copy of the agreement available?) Is there a renewal date or expiration date to current agreement? Are the agreements assignable? - Attorney can help review if not sure.	
What payroll service(s) are your clients currently using (where you do or assist with the payroll?), e.g. Gusto, QuickBooks, ADP, Paychex, other? (ie, you may be a QuickBooks payroll shop, unfamiliar with Gusto, and then find out that all the clients are on gusto, etc.)	
What accounting software are your clients using? (ie, All QBO, All QB Desktop, Mix, What % are using one vs the other? - Again, depends on what software you are comfortable working with going forward, such as Xero/Sage?	
For QBO clients, are you doing any wholesale billing for their software? (if so, are you giving clients your wholesale rate or marking up?) Make sure that any sales by client revenue is NET of any software costs, as firms often bundle the software + services cost. Also impacts post-sale customer turbulence…if firm has to kick out clients in order for you to take over, any discounted rates typically disappear…and customers might not be happy.	
What is your hourly bookkeeping or consulting rate? How do you price your services? (hourly, flat rate, project based?). How do these rates compare to yours? If there rates are higher, that's fine. If they are dramatically lower it could lead to sticker shock when you raise rates to your standard rate.	

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Get a sales by customer by month report for last 12-24 months, NOT including any software or QBO Wholesale software pass through billing. Are these amounts monthly flat rate or include any variable hourly billings? Any one-off project revenue should be discounted as not likely to recur in the future.	
For each client, average hours to complete monthly work (ballpark if not exact). And is that work being done by senior/fast bookkeeper or junior/slower bookkeeper). Owner could be super fast and charging for 2 hours, but when passed to junior bookkeeper might take 4 hours….and it's helpful to know.	
Calculate an Effective hourly billing rate for each client, to see how it aligns with your effective rates or minimums.	
When was your last price increase? How much did you increase and what % of clients did you retain after the price increase? Again, this just helps paint a picture of the current client environment. If no recent rate increases, could be ok, but if recently increased, good to know.	
Do you have a Scope of Work for each client, what is being done for them, and documented processes or work details. (or is it all in someone's head). Missing or out of date documentation could lead to customer frustration, so ensure it's documented and current for each client.	