

**BUSINESS VALUATION QUESTIONNAIRE**

**COMPANY BACKGROUND**

1. Describe the company's legal structure.

Company's legal name: \_\_\_\_\_

Type of entity (corporation, partnership, LLC, LLP, proprietorship, etc.) and tax status (C-Corp, S-Corp, Partnership, etc.): \_\_\_\_\_

Date of incorporation or formation: \_\_\_\_\_

State of formation: \_\_\_\_\_

Total type and number of shares/units authorized: \_\_\_\_\_

Par value: \_\_\_\_\_

Number of shares/units issued and outstanding: \_\_\_\_\_

Briefly describe other types of ownership interests: \_\_\_\_\_

2. List the major stockholders, partners, or owners of the company and their percentage of ownership or number of shares owned.

Name

% Ownership  
or Number of Shares Owned



3. List all known related parties (that is, subsidiaries, affiliates, or relatives) that work for the company or that the company does business with.

<u>Name</u>	<u>Relationship</u>

4. List each location maintained by the company and the primary activity at each, that is, executive office, plant, sales office, etc.

<u>Name</u>	<u>Activity</u>

5. Discuss evolution of:
- a. product lines \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
  - b. customer base \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
  - c. locations \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

d. marketing activities \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

e. distribution methods \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

f. employees \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

g. acquisitions \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

h. ownership \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. Other key dates or events in company history. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. Description of the company's products or services: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. How are the products or services used? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. Describe the company's customer base. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. Breakdown of sales and gross profit by product line:

<u>Product</u>	<u>Percent of Sales</u>	<u>Gross Profit Percentage</u>

11. a. Which product line is growing fastest? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. The slowest? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. a. How diversified are the product lines?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. Do all sales depend on the same factors? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

13. What are the products' advantages and disadvantages versus its competitors?  
Advantages: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Disadvantages: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

14. a. Are the products proprietary? \_\_\_\_\_  
\_\_\_\_\_

b. Does the company have patents, technology, or expertise that prevent others from copying the products? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

15. What other products compete with the company's products? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

16. a. Are sales cyclical? If so, why? \_\_\_\_\_  
\_\_\_\_\_

b. What economic factors (inflation, interest rates, etc.) affect sales? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

17. Are sales seasonal? If so, why? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

18. Discuss any industry technology trends. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
19. Discuss the company's research and development efforts, the importance of new products, and the annual cost of research and development activities. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**MARKETING DISTRIBUTION**

20. What is the total size (in dollars) of the industry market? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
21. a. What is the company's market share? \_\_\_\_\_  
b. How fragmented is the market? \_\_\_\_\_  
c. Is the market growing or shrinking? \_\_\_\_\_
22. What distribution channels does the company use (direct sales, distributors, retailers, etc.) and how successful are they? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
23. How are sales people compensated? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
24. a. What is the market area and what determines its size? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- b. How important are freight costs? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

25. a. Are sales concentrated in a few customers? \_\_\_\_\_  
\_\_\_\_\_
- b. What percentages of total sales are made to the five largest customers? \_\_\_\_\_  
\_\_\_\_\_
26. a. How loyal are customers, that is, do they tend to buy from the same company or switch? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- b. How does pricing affect customer loyalty? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
27. Does the company sell to the federal, state, or local government or government agencies? Are those sales likely to increase or decrease? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
28. What are the key selling features – product, price, service, brand name, packaging, etc.? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
29. a. How are pricing policies determined? \_\_\_\_\_  
\_\_\_\_\_
- b. To what degree do competitors' prices affect company policy? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
30. a. What are normal sales and credit terms? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- b. Describe a typical customer contract. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

31. What type of promotion and advertising methods does the company use? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**COMPETITION**

32. Who are the company's major competitors? Where are they located? How big are they? What is their market share? How diversified are they? [Identify those competitors (if any) that are publicly held.]

Name	Location	Size	Market Share	Diversified	Public?

33. How does the company compare in size and market share to its competitors? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

34. How easy is it to enter the industry? What are the barriers to entry? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

35. What are the company's competitive strengths/advantages and weaknesses compared to the competition? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_



**OPERATIONS**

36. Describe the company's organization structure. (Attach organization chart, if available.) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

37. a. What is the relative size of the company's divisions in terms of sales and gross profits? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. How interrelated are the divisions? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c. How much vertical integration is there among the divisions? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

d. How easily can a division be eliminated without affecting other operations? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

38. a. How old are the company's manufacturing facilities? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. Where are they located relative to the primary markets? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

39. a. Describe the manufacturing or service process. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. Are any of the methods or equipment proprietary? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

40. a. What is plant capacity relative to current operating levels? \_\_\_\_\_  
\_\_\_\_\_

b. How many shifts and days per week does the company operate? \_\_\_\_\_  
\_\_\_\_\_

c. When will sales be constrained by inadequate capacity? \_\_\_\_\_  
\_\_\_\_\_

d. Is there excess capacity or excessive fixed overhead costs? \_\_\_\_\_  
\_\_\_\_\_

41. Are buildings and machinery owned or leased? If leased, are the leases renewable and on what terms? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

42. a. What is the overall condition of the company's equipment? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. Is there any inefficient or obsolete equipment? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c. When is the machinery likely to be replaced? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

d. What is the likelihood of major repairs? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

43. a. How capital-intensive is the company? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- b. How labor-intensive? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
44. a. Briefly describe past and current employee relations (that is, contentious, harmonious, strikes, etc.). \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- b. Discuss employee turnover and indicate whether any of the employees are unionized. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
45. Discuss the current labor market. How easy is it to attract qualified employees?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
46. How extensively are independent contractors used? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
47. Discuss key suppliers. Are any suppliers the sole source? Have there been any major problems in getting raw materials? Are there long lead times to get the purchased goods? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
48. Does the company have difficulties complying with environmental regulations?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
49. Does the company have any foreign operations? If so, does the company have any problems with any foreign governments? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



54. Discuss any employment contracts. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
55. How easily can officers and key employees be replaced (i.e., is there one or a few key officers on which the success of the company depends that cannot be easily replaced)? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
56. Who is on the board of directors and how active is the board in governing company activities?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**FINANCIAL**

57. Have there been any unusual operating events or any other unusual matters reflected in the company's financial statements? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
58. Briefly describe any unusual matters in the tax returns that may require special consideration. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
59. Does management prepare any forecasts or budgets of future operations? If so, please provide us with a copy and discuss the forecasting/budgeting process. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

60. Has there been any change in accounting principles during the past five years (cash to accrual, FIFO to LIFO, etc.) or similar changes that might affect the comparability of the financial statements? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

61. Describe any relevant specialized industry accounting practices or principles. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

62. Have there been any nonrecurring or extraordinary income or expenses during the last five years? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

63. a. What are the main discretionary expenses (such as bonus, profit sharing, repairs, advertising, personal use expenses, and R&D)? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. How have the levels of those expenses changed during the last five years? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

c. Have there been any or are there any above or below market wages being paid? If so, to whom? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

64. Describe short-term sources of credit and how, if at all, they were used during the last five years. .

\_\_\_\_\_  
\_\_\_\_\_

65. Describe long-term sources of credit and how, if at all, they were used during the last five years. .

\_\_\_\_\_  
\_\_\_\_\_

66. Discuss any special stock rights, warrants, options, etc. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

67. Discuss the company's dividend history. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

68. Have there been any transactions involving interests in the company in the last five years? Provide details. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

69. Describe any written or oral offers received for the company or ownership interests in the company in the last five years.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

70. Discuss any plans to sell all or part of the company or hold a public offering. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

71. Discuss plans for major capital expenditures over the next 10 years, how they will be financed, and how much represents expansion versus replacement of existing assets. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

72. Discuss any commitments for financing, contingent liabilities (including lawsuits and pending or threatened litigation) and off-balance sheet financings. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

73. Describe assets not reflected on the balance sheet and any non-operating assets, such as aircraft, boats, and real estate investments. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

74. Describe any non-operating debts or liabilities. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**COMPANY EXPECTATIONS**

75. Describe relevant past and expected future trends for the company, such as growth patterns, expansion or cutbacks of business segments, possible spin-offs, mergers or acquisitions. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

76. Describe the company's future expectations, goals, objectives, and long-range plans (1-10 years) in the following areas:

- a. Products and services. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- b. Marketing and customers. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- c. R&D and technology. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- d. Long-term borrowings. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



e. Business expansion. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

77. a. What average annual growth rate % do you expect over the next 10 years for sales, and why?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

b. What average annual growth rate % do you expect over the next 10 years for net operating profits, and why? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

78. Please explain any other factors or trends affecting the value of the business or business interest.  
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\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_