



Inventory Checklist for Business Sales

Keep inventory from killing the deal: listing, letter of intent, count day and closing.

FREE CHECKLIST

1. At listing: ask the seller

- ☐ How much inventory do you normally carry, at cost?
- ☐ Highest and lowest levels in a year?
- ☐ How is it tracked (POS, accounting, spreadsheet)?
- ☐ Any expired, damaged, obsolete or slow-moving stock?
- ☐ Any stock on consignment or owned by a supplier?
- ☐ Is any inventory pledged as collateral?
- ☐ Do you expect to be paid for it on top of the price?

Documents to request

- ☐ Latest inventory report or stock list
- ☐ Inventory aging (how long stock has been on hand)
- ☐ Recent supplier invoices
- ☐ Last physical count results
- ☐ Point-of-sale or accounting inventory export

4. Count day

- ☐ Neutral inventory firm booked
- ☐ Count as close to closing as possible
- ☐ Buyer and seller (or reps) present or available
- ☐ Expired, damaged and obsolete stock excluded
- ☐ Work in progress and supplies handled as agreed
- ☐ Count signed off by both sides

"Having a middle man do the counting is worth every penny."
Josh Factor, founder of Vertica CRM

Key terms

Plus SAV: plus stock at value. The buyer pays the business price plus the value of the stock, based on a stocktake near settlement (common in the UK and Australia).

Floor: if inventory falls below an agreed minimum, the price goes down. **Cap:** above an agreed maximum, the buyer pays extra or isn't required to buy.

Ian's first deal: agreed at £150,000, contract sent at £950,000. The £800,000 difference was inventory. He saved it by waiving commission on the stock and bringing in a neutral inventory firm to count it. Lesson: ask about inventory on the first call.

2. In the listing

- ☐ State the structure: included, plus inventory (plus SAV) or up to a set amount
- ☐ Give the approximate inventory value at cost
- ☐ Say how inventory will be valued and counted
- ☐ Note seasonal swings
- ☐ Confirm how commission applies to inventory

3. In the letter of intent

- ☐ Inventory structure and approximate amount
- ☐ Valuation method: at cost, exclusions
- ☐ Who counts, when, and who pays
- ☐ Floor, cap or tolerance band
- ☐ How disputes are resolved

5. At closing

- ☐ Apply the count to the agreed structure
- ☐ Adjust the price per the floor, cap or band
- ☐ Record the final inventory figure in closing documents
- ☐ Buyer's financing covers inventory (SBA 7(a) can)
- ☐ Purchase price allocation agreed with accountants (U.S.: Form 8594, inventory is Class IV)

"When you're a broker, every deal is a big deal. I won't let one die because of it." Ian MacDonald, London

General information, not legal or tax advice. Full article: "Don't Let Inventory Be a Deal Killer" at businessbrokerscrm.com.