Table of Contents

The Current Situation 1

IRS Ethical Rules on Firm Sales and Mergers 2

AICPA Ethics Rules on Firm Sales and Mergers 3

Where to Start? 3

Firm Operation Checklist 4

Owner & Employee Professional Skills Summary 7

Firm Values 9

Upward value adjustments 9

Downward value adjustments 9

Examining two fictitious firms 10

Firm 1 Positives 10

Firm 1 Negatives 10

Summary-Firm 1 11

Firm 2 Positives 12

Firm 2 Negatives 12

Firm 2 Summary 12

General Discussion Points for Sales & Purchases 13

Fees and Values-5 rules 13

Seller & Buyer Preparation 13

“Tail” Liability Policies 14

Non-Compete Agreements (NCA) also known as Non-Solicitation Agreements 14

Non-Solicitation Agreements 15

Practice Continuation Agreements 16

Case Studies for Discussion from the author’s real-life experience 17

Case 1 17

Case 2 17

Case 3 17

Summary of results 17

Practice Sale Considerations 18

Remarks regarding exit planning for accountants and tax professionals 18

Comments regarding firm value 18

Deal Structure 18

Some other factors that can affect the value of the firm 19

Buyer and Seller Concerns 20

Transition 22

Office Sharing 23

Firm Confidentiality Policy 25

Admitting a Partner 26

Financial aspect of adding a partner 27

Mergers 30

Add experience and depth to an established practice area 30

Increase specialization 30

Enter a new geographic area 30

Correct an internal weakness 30

Provide a long-term retirement plan for existing small firm owners 30

When mergers are not the answer 31

Start with determining your merger objectives 32

Summary 36