

10 Questions You Must Ask Before Buying Any Business

Most Buyers Get Burned Because They Asked the Wrong Questions — or None At All

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The fastest way to make a costly mistake in business acquisition is to be so excited about a deal that you stop being curious.

Every question on this list has a reason. Every answer tells you something. The goal is not to interrogate the seller — it's to understand the business deeply enough to know whether you should own it.

Use this list in your initial seller meetings and during due diligence. Take notes on the answers. Inconsistencies between early conversations and later documentation are always meaningful.

Question 1: Why are you selling?

This is the most important question — and the answer tells you everything. Retirement and health are legitimate. 'I want to pursue other opportunities' is often code for 'the business is struggling.' Push past the first answer. Ask follow-up questions. Sellers who won't answer directly are waving a flag.

What to listen for: Listen for: inconsistency, evasion, urgency to close quickly.

Question 2: How dependent is the business on you personally?

If the seller is the sole relationship with top customers, the rainmaker, the one person who knows how everything works — that is an owner-dependent business. When they leave, so might the value. Ask: 'If you took a 3-month sabbatical, what would happen to revenue?'

What to listen for: Listen for: 'We'd be fine' backed by documented systems. Red flag: long pause followed by 'well, I'd have to check in...'

Question 3: What does your customer base look like?

Customer concentration kills deals and kills businesses. If one customer represents more than 20–25% of total revenue, you are one lost contract away from a crisis. Ask for a full customer list with

revenue breakdown by customer.

What to listen for: Ideal: no single customer above 15–20% of total revenue.

Question 4: Can you show me 3 years of tax returns alongside the P&Ls?

Financial statements can be massaged. Tax returns are harder to falsify because the IRS is on the other end. If the P&L shows \$400K in SDE but the tax return shows the owner claiming \$120K — that's a conversation you need to have. You are looking for consistency, not perfection.

What to listen for: Red flag: seller who refuses to share tax returns or delays producing them.

Question 5: What does your team look like, and who is at risk of leaving?

A business is its people. Losing a key employee after you acquire can be catastrophic — especially in service businesses. Ask who the 2–3 people are that the business cannot operate without, and what their relationship is with the current owner.

What to listen for: Ask: Are there non-compete or key-person agreements in place?

Question 6: What are your top 3 operational challenges right now?

This question reveals self-awareness — and opportunity. A seller who can articulate their real challenges is a seller you can trust. It also tells you where your first 90 days of focus should be. If a seller says 'we don't really have any challenges,' that's either naive or dishonest.

What to listen for: Listen for: specific, honest problems you have the skills to solve.

Question 7: What contracts, leases, and agreements transfer with the sale?

Every business has legal obligations — leases, supplier contracts, customer agreements, software licenses, employee agreements. These transfer with the business. Some can be renegotiated at

closing. Others cannot. Your M&A; attorney must review all of them before you sign.

What to listen for: Key items: landlord consent to lease assignment, customer contract transferability.

Question 8: Is there any pending or threatened litigation?

Ask this question directly, and then have your attorney verify the answer independently. Lawsuits don't always disqualify a deal, but undisclosed litigation always does. You are acquiring the legal history of this business — know what's in it.

What to listen for: Your attorney will search public records as part of due diligence.

Question 9: What is your asking price, and how did you arrive at it?

A seller who can explain their valuation methodology is easier to negotiate with. A seller who says 'I just know what it's worth' is harder. Most small businesses sell for 2–5x SDE. If they're asking 7x with no growth story, you need to understand why — or walk away.

What to listen for: Compare their ask to SDE multiple benchmarks for their industry.

Question 10: What would make this transition successful for you personally?

This question changes the tone of the entire conversation. It tells you what the seller cares about beyond price: protecting employees, maintaining the brand, staying involved, getting a clean exit. Knowing what matters to them lets you structure an offer that wins — even at a lower price.

What to listen for: Sellers often accept lower offers when the intangibles match their legacy goals.

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