

M&A Nugget: Stockholder Disclosure

August 18, 2023

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In a merger transaction, sellers should enlist the aid of their CPA throughout the sale process, from beginning to end. Here are but a few of the many reasons:

- First, near the inception of the deal, the CPA, who knows the seller's books and records and finances well, can act as an advisor to the seller on the financial merits of the deal. Indeed, many CPA firms have specialists in business valuations, who can suggest a range of values the seller should be looking for.
- Second, an important financial decision in an asset sale is how the purchase price is to be allocated among the assets sold. Depending upon the allocation, there can be significant out-of-pocket tax consequences to the seller. Again, the seller's CPA should be consulted to determine the purchase price allocation.
- Lastly, purchase agreements contain many representations and warranties by the seller regarding the target's financial statements, tax returns, books and records. The seller's CPA should always be consulted to review these specific representations and warranties for accuracy.

The sale of your business is one of the most important events in your life, so make sure to include one of your most important advisors: your CPA.