

USING THE TRANSFER OF AN ACCOUNTING PRACTICE (TAP) CHECKLIST

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We've created the following checklist to provide you with a tool to help you sort through options you have, and firms who may be likely candidates to buy or merge in your practice. The checklist is designed around ten key areas that we've found can make the difference between successful transfers and dismal failures. These areas are:

- Cultural Compatibility in General
- Compatibility of Owners
- Strategic Perspective
- Compatibility of Client Base and Service Offerings
- Compatibility of Performance Management and Pay Systems
- Compatibility of Firm Ownership and Governance Models
- Compatibility of Businesses Processes and Practices
- Compatibility of Succession Management Processes
- Overall Stability of the Acquiring Firm
- Other Factors

The checklist is organized with columns for sale, upstream merger, buy or merge in, transfer within, and a “turn out the lights” strategy to exit planning. If you see a highlight in a box opposite a description under the type of transaction you're considering, you probably will want to consider that factor in assessing the fit of your practice with that of the firm you're considering selling to or merging with. The chapters dealing with these transactions refer to these factors, so you can read the related sections in those chapters to gain more background on any particular factor covered in the checklist.

Keep in mind that, for the most part, these are qualitative factors that you must consider and think through. There's no, one “right” answer here—no multiple choices. The idea is for you to use this as a mental model to help you decide which path to pursue, and then, if you decide to transfer the practice to another firm, to hook up with a compatible practice on your way out, thereby putting a little more security in the mix for your ultimate buyout. This checklist doesn't take the place of traditional, quantitative due diligence procedures. It should probably be completed first, before you waste time going through minutia for deals that don't make sense for you.

You can print off a copy of the checklist and use it to help score, relatively speaking, the desirability of candidates who might be buying you out or merging you in, or whom you might be merging in or buying out as well.

FACTORS	SALE	MERGE UPSTREAM	BUY OR MERGE IN	TRANSFER WITHIN SEAMLESSLY	TURN OUT THE LIGHTS
Cultural Compatibility in General					
• “How we do things around here”					
• Core values in action					
Compatibility of Owners					
• General styles and style differences between and among owners					
• Collegiality among owner group — how they talk to, with and about one another					
• Nature, level and types of conflicts within owner group, if known					
• Ages of owners and how well spread over next two decades					
• Gap in book size between owners, differences in leverage, general approach to business and life					
Strategic Perspective					
• Existence of firm long-term direction, strategy, or vision shared by all owners					
• Use of strategy to drive budgeting, operations and behaviors of owners					
• Compatibility of owners’ strategies					

Factors	Sale	Merge Upstream	Buy or Merge In	Transfer Within Seamlessly	Turn Out the Lights
Compatibility of Client Base and Service Offerings					
• Industries served					
• Nature of clients served					
• Service offerings provided to clients					
• Service policies and practices					
• Charge rates, fee structure					
• Geographic locations and differences among locations					
Compatibility of Performance Management and Pay Systems					
• Performance metrics in use by owners					
• Articulated compensation system used by owners					
• Owner fringe and benefit policies – insurance, cars, clubs, dues, CPE, vacation, etc.					
• Leadership development practices for junior partners and managers					
• Staff performance metrics used					
• Staff ages, backgrounds, pay and benefits					
• Staff policies for other than pay and benefits, CPE, CPA exam, flex-time, child care, civic involvement, etc.					
• Staff evaluations — nature and frequency, including career-pathing					

Factors	Sale	Merge Upstream	Buy or Merge In	Transfer Within Seamlessly	Turn Out the Lights
Compatibility of Firm Ownership and Governance Models					
• Formal or Informal requirements for admission as a partner					
• Spread of current equity ownership among partners					
• Governance model used — committee, managing partner with committee, managing partner, unclear					
• Decision-making processes — consensus, majority vote, managing partner, etc.					
• Standard operating procedures in place for decision-making, conflict resolution, voting, partners' duties					
• Roles and responsibilities defined for partners and staff					
• Existence of one signed owners' agreement					

Factors	Sale	Merge Upstream	Buy or Merge In	Transfer Within Seamlessly	Turn Out the Lights
Compatibility of Business Processes and Practices					
• Types and quality of communication within the firm — formal and informal					
• Formal or Informal business development processes in place					
• Billing and collection practices					
• Standardized administrative processes in place — internal accounting & timekeeping, workpaper preparation, review, filing, paperless or other, etc.					
• Amount of leverage — partner to staff time					
• Firm staffing structure — pyramid, inverted pyramid or other					
• Extent of functional specialization and niches					

Factors	Sale	Merge Upstream	Buy or Merge In	Transfer Within Seamlessly	Turn Out the Lights
Compatibility of Succession Management Processes					
• Formal or Informal succession management plan, and implementation being done to achieve it					
• Expected retirements within next five years — who, how much equity and cost to firm, as well as amount funded, if any					
• Written documentation nailing down exactly when senior partners will be retiring and their expected payout under current policies					
• Likelihood acquirer will itself be merged upstream or sold					
Overall Stability of the Acquiring Firm					
• Investment in people					
• Investment in technology					
• Appropriate leadership in place					
• Absence of critical, unresolved issues among owners					
Other Factors					
• How will or can we undo this if it is not working?					