



MEMORANDUM

Purchase or Sale of an Accounting Practice or a Parcel of Fees and the Provision of Ongoing Services by the Vendor/s

The following are three lists prepared to assist with the purchase of an accounting practice or a parcel of fees.

1. Purchase or Sale - Issues to Discuss in Negotiations
2. Purchase or Sale Agreement - Issues to Document
3. Service Agreement - Issues to Discuss, Agree Upon and Document

Disclaimer

Whilst great care has been taken in preparation of these lists, they are not exhaustive and not tailored to each particular situation. They do not substitute for specific advice relating to a particular set of circumstances, nor for detailed written advice. No warranty of completeness is given.

Thea Foster
2005



1. Purchase Or Sale - Issues To Discuss In Negotiations

1. **What is being sold?**
 - Practice (including Fixed Assets)
 - Fees (only Goodwill)
2. **Dollar Value of Renewable Gross Fees**
3. **Description of Gross Fees**
 - Client Size
 - Type of Work Done
 - Industries Covered
4. **Vendor's Future Activities**
5. **Other Assets**
 - Fixed Assets
 - Computer System
 - Debtors and Work In Progress
6. **Premises**
7. **Staff Continuity**
8. **Price of Goodwill (Cents in \$1)**
9. **Clawbacks and Escalators**
10. **Goodwill Paid on Total Fees Billed or Client by Client?**
11. **Payment Terms**
 - Payment Over Time
 - Interest?
12. **Price of Fixed Assets**
13. **Use of Individual and Firm Names**
14. **Restrictive Covenants**
15. **Payment for Additional Fees Introduced**
16. **Firm Associations**



2. Purchase or Sale Agreement - Issues to Document

A. Preamble

- Date of Sale
- Name/s of Vendor/s
 - Individuals
 - Trustees
 - Companies
- Name/s of Purchaser/s
 - Individuals
 - Firm
 - Trustees
 - Companies
- Location of Office/s
- What is Being Sold
 - All or Part of Practice
 - Gross Fees
 - Goodwill
 - Fixed Assets
 - Shares in Other Entities
 - Arrangements Regarding Liabilities
- Interpretation
- Application Laws

B. Responsibilities

- Responsibilities of Vendors
 - Best Endeavours to Transfer Clients, etc
- Responsibilities of Purchasers
 - Supply Client Services To a High Standard, etc
- Use of Individual/s and Firm Names
- Hand Over Client Records
- Undertakings Regarding Any Professional Negligence Claims
 - Continue Professional Negligence Cover
- Provide/Remove Personal Guarantees

C. Sale Price - Goodwill

- Price
 - Expressed as Cents Per Dollar
 - Expressed as a Total
- Calculated
 - On Total Gross Fees Billed Next Year
 - On a Client by Client Basis
- Clawback Arrangement on Non Recurring Clients
- Escalators on Additional Fees?



D. Sale Price - Other Assets

- Fixed Assets
- Computer System
- Debtors and Work In Progress
 - Valuation
 - If Not Realised?

E. Payment Terms

- Period of Payment
- Regularity of Payment eg Monthly or 2-4 Lump Sums
- Interest on Outstanding Balance?
- Vendor Finance
- Guarantees by Purchasers

F. Staff

- Taken Over
- Accrued Long Service and Annual Leave
- Employment Contracts

G. Restrictive Covenant-Vendors

- Area
- Time
- Specific Clients
- Type of Work

H. Business Name

I. Professional Indemnity Insurance

J. Miscellaneous

- Associated Firms
- Arbitration
- Amendments To Agreement
- Default Terms
- Arrangements if Death, Major Illness or Disability of Vendors or Purchasers.



3. Service Agreement - Issues to Discuss, Agree Upon and Document

- 1. Name and Address of Employer**
- 2. Name and Address of Service Provider**
- 3. Date of Commencement of Service**
- 4. Planned Date for Cessation or Duration of Agreement**
- 5. Provision for Continuation of Services**
- 6. Service Fees**
 - Hourly Rate or
 - Fixed Annual Fee
 - Provision for Increase in Rate
- 7. Services To Be Supplied**
 - Client Work
 - Introduction to Clients and Client Liaison
 - Briefing on Clients
 - Investment Advice
- 8. Agreed Standard of Performance**
 - Weekly Hours in Office
 - Weekly Hours Billed
 - Timesheets Completed
 - Attend Partners Meetings
- 9. Payment Only In Respect of Hours Billed To and Recovered From Clients.**
- 10. Payment of Service Fees**
 - Weekly
 - Monthly
- 11. Contractor vs Employee Status**
- 12. Taxation of Service Fees**
- 13. Superannuation**
- 14. Annual Leave**



15. **Restrictive Covenant**
16. **Fees Due In Respect of New Clients Introduced**
17. **Death, Disability, Illness**
18. **Early Termination of Agreement**
19. **Arbitration**