

7 Ways to Increase the Value of Your Business

If at some point you imagine being able to sell your business, perhaps to fund retirement, you need to increase its value.

Outlined below are some suggestions on how you can do that.

1. **Business plan**

Create a comprehensive business plan which should, at a minimum, include a list of objectives for the next 5 years as well as detailed financial projections for at least the next 2 years.

2. **Marketability**

Enhance the marketability of your business as an entity by:

- Promoting the unique position of the business in the market place through creating a niche and convincing both customers and potential buyers that no one fills that niche the way your business does.
- Ensuring steady growth in gross and net profit from one year to the next.
- Keeping fixed overhead costs to a minimum. An inflated and inflexible cost structure makes a business less attractive especially if the business has pronounced trading cycles.
- Having accounting records that show clearly the profitability of your business without the confusion of personal transactions. If these have to be explained to a potential customer a negotiating edge may be lost.
- Ensure books and records and internal procedures are satisfactory.

3. **Capital base**

Create a capital base in your business by being restrained in how much profit is withdrawn from the business, such as by dividends. This will require tax planning but in the long run will be of benefit in at least 3 ways:

- Lenders to potential purchasers will view the business as a more attractive risk.
- Potential purchasers will see the business as a financially secure and attractive acquisition.
- The business will be on a stronger economic footing in the event of adverse market conditions.

4. **Develop quality staff**

There is no substitute for top grade employees if you are establishing a business that will still have value without your presence.

5. **Fixed overheads**

Keep fixed overheads, as far as practically possible, reasonable and to a minimum by not becoming committed to large rents and salaries that cannot be reduced if a business downturn

occurs. If business does slow down expenses may need to be reduced quickly to prevent there being a substantial decrease in the capital base.

6. **Directors loans/transactions**

Maintain directors' loans at prudent levels which should be serviced systematically in accordance with the terms of loan documentation and minutes of directors meetings. Make sure that, when it comes to their personal financial relationships with the business, directors at a minimum:

- Take a reasonable salary on a monthly basis. Larger distributions may come in the form of periodic bonuses or dividends.
- Pay no personal expenses from the company.
- Limit travel, entertainment and motor vehicle expenses to amounts that are reasonable for the size and nature of your business.

7. **Business income**

Deposit all business income to the business bank account as journals or audit entries may be disputed by potential purchasers when they review the books and records.

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To find out how we can help you add value to your business, call Seamus Parfrey today on **021 431 0266**.

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