

## Starting or Buying a Business

BY ANNIE K.Y. CHEUNG

ARA & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS

When you're thinking of going into business, there are different options available:

- (1) **Start-up from the ground up** A concrete and solid business plan in advance is important for potential investors or raising finance. A good business plan should include your detailed marketing plan as well as the financial objectives in order to convince the potential supporters and lenders that your business will be a sound investment.

Successful start-ups used to begin with a proven product or service of which the starters are able to compete with others. Launch a new product at start-up stage can be more risky and requires further effort. Innovative products could be introduced after certain degrees of success are attained.

Actually start-up option bears a greater risk than other options. Existing businesses and franchises with solid background and operating history are ready for lenders and investors to assess and evaluate.

- (2) **Buying an existing business** This reduces the time and cost on establishing a new one. The customer  
*(Continued on page 2)*



**Dare & Habere Consulting Ltd.** specializes in providing tax, transaction advisory, dispute support and corporate services.

This E-news is published jointly by Dare & Habere Consulting Ltd. and ARA & Associates, Certified Public Accountants.

Welcome to visit  
our website  
<http://darehabere.com>

### CHINESE NEW YEAR ISSUE:

Starting or Buying a  
Business

*You are welcomed to  
suggest interesting  
topics to us by email  
to :*  
[info@darehabere.com](mailto:info@darehabere.com)

*We will manage to  
address your concern  
in future issues.*

**Dare & Habere Consulting Ltd.**

Room 1201, 12/F  
Shanghai Industrial Investment Building  
48-62 Hennessy Road, Wanchai, Hong Kong

Phone : (852) 2110 6989  
Fax : (852) 2549 4866  
E-mail : info@darehabere.com

---

Welcome to visit our website  
<http://www.darehabere.com>

---

This e-News is published jointly by:



**DARE & HABERE CONSULTING LTD.**

Tax • Transaction Advisory • Dispute Support

and



**ARA & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS  
智宏會計師行

Trust • Value • Commitment

*If you are interested to receive our future e-News or publications, you may send us an email, or submit the filled-in form at our Knowledge Center webpage:*

[http://darehabere.com/dhe/ekc/dhe\\_kc.html](http://darehabere.com/dhe/ekc/dhe_kc.html)

(Continued from page 1)

base and relationships with suppliers have been established. The proven track record of business will be easier for securing finance. Employing the former owner for a limited time may smooth out the transitional process. However, you might not be able to acquire the necessary expertise and personal networks of the former owner.

More inherent problems might appear in actual operation such as logistical problems; long cash flow cycles; poor financial estimates; personality conflicts; obsolete assets; etc. The business might not be worth for you to draw a term loan for a return of living wage. Consult qualified professionals to evaluate the information provided by the existing owners before buying.

- (3) **Franchises** When you buy a franchise, you are also buying the brand, business strategy, marketing support, operation assistance, etc. But you need to give up the right of final decisions on your business because the franchisor will retain certain rights to regulate your business. He will take a percentage of your profits as part of the fees. Most franchisors require you to purchase materials from their suppliers. You may be required to contribute for ongoing assistance, advertising and promotion.

The franchise agreement is the gist. It used to be one-sided in favour of the franchisor. However, you need a fair and balanced terms in respect of the rights of both the franchisor and franchisee. Franchisors are required to disclose lots of information to potential franchisees. Make sure every representation made to you is in writing before you sign. Read carefully and negotiate for better terms to make sure your investment will not move on to the next potential buyer.

**Author:** Annie is a practicing CPA and experienced in handling accounting, assurance and tax engagements and in working with a wide variety of business enterprises and organizations including listed companies, SME businesses, non-profit entities and charitable organizations. She held a Master of Arts in International Accounting and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of England and Wales.

This publication is only a brief summary or introduction on the interested or related topics. It does not constitute any accounting, legal investment or other professional advice. If you would like to have in-depth information, please contact us or specific professional advice should be taken before acting on the topics covered. Dare & Habere Consulting Ltd. and ARA & Associates are independently owned and operated.