

Why is buying a business a less risky proposition than starting one?

[Business](#)



When one starts a business there is various risk involve. These risks are not there with a business that one buys. Even a loss making business offers some kind of certainty to an extent. This certainty allows business person develop appropriate strategies. However in the case of starting a new business there is always a fear of unknown. There will be some ground work done for the business, it will have a market and offerings for the market, established infrastructure and equipments, employees, vendors and suppliers and established distribution channel will be there. 2.

How could you go about finding a business to buy if you did not see anything in the classified ads that you liked? There are various ways to buy a business than classified ads like word of mouth in social circles, sending mails to various interest groups, membership of business associations and other institution. The individual or group seeking a business to buy can spread the information about there interest in particular business areas and can encourage parties to contact them for selling their business. 4. What are the two major determinants of the value of a business? Explain each of them

The value of a business depends on numbers of factors from financials to the good will of the company. Business can be evaluated by Asset-based approach where evaluation is based on the value of intangible assets, Market approach where earnings from the market of the same product or products of similar values is considered or income based approach where cap ratio, discount rates and other ratios are used to value a business. Hence asset and income are the two major determinants of the value of a business.

Reference:

<https://assignbuster.com/why-is-buying-a-business-a-less-risky-proposition-than-starting-one/>

Jones, J How to value your business retrieved on 22 April 2008 from
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