



DEAL DETECTIVE

Pre-LOI Deal Review

Maple Grove Tax & Accounting

An anonymized CPA / tax practice in southern Wisconsin

ASKING PRICE	2023 REVENUE	ADVERTISED SDE	ASK / SDE
\$400,000	\$391,000	\$267,000	1.50x

Preliminary verdict: NEEDS ANSWERS BEFORE LOI

The headline economics look attractive, but the advertised earnings are not decision-grade. The 68.3% SDE margin, contradictory occupancy disclosure, stale 2023 financials, and retiring-owner retention risk must be resolved before price or structure can be trusted.

SAMPLE REPORT

Prepared September 2026 | Based on a public listing | Company name anonymized | Pre-LOI screen only

The deal is attractive only if the earnings transfer

EXECUTIVE READ

On its face, the practice is priced below broad market benchmarks. That conclusion rests almost entirely on the advertised seller's discretionary earnings (SDE), and the listing does not provide enough evidence to accept that number.

Signal	What the listing says	Our read
Price	\$400,000	Attractive only if SDE holds
SDE margin	68.3% computed	Above the 52.1% 5-year benchmark
Financial recency	2023 revenue only	Too stale for an LOI
Occupancy	Owner-occupied / leased	Direct contradiction
Transition	Support offered	No duration or retention
Revenue mix	75% tax preparation	High seasonal / relationship risk

What matters most

- Normalize occupancy. The listing says the building is owner occupied and available for sale or lease, while its real-estate field says "Leased." The practice may not bear a market rent today.
- Rebuild SDE from current source documents. The only disclosed revenue is from 2023; a growth claim is not a substitute for 2024 and 2025 results.
- Price client retention. A retiring owner and tax-heavy book create transfer risk. Transition language without duration, non-solicit terms, or contingent consideration does not protect the buyer.
- Confirm who does the work. Three employees are disclosed, but credentials, compensation, tenure, owner hours, and signing responsibility are not.

Decision rule

Do not issue a valuation-led LOI from the listing alone. First obtain the minimum diligence package on page 7. If the seller will not supply it, pass. If the data supports normalized SDE and retention, proceed with a guarded LOI whose price adjusts to verified earnings and retained revenue.

The listing establishes only a thin fact base

Disclosed facts

Figure status: Verified = traced to the cited source document (listing claims themselves were not independently verified). Illustrative = a scenario or estimate. Pending = not disclosed or not yet verifiable from available sources.

Item	Disclosed value	Status
Asking price	\$400,000	Verified
Gross revenue	\$391,000 (2023)	Verified
Cash flow / SDE	\$267,000	Pending — no SDE bridge provided
SDE margin	68.3%	Verified — computed from listed figures
Established	1996	Verified
Employees	3	Verified — roles unknown
Revenue mix	75% tax / 25% other	Verified
Reason for sale	Retirement	Verified
Software	TaxWise	Verified — transfer unknown
FF&E	Included	Verified — value not stated
Real estate	Owner occupied / leased	Pending — listing contradicts itself

Source for all Verified figures above: BizBuySell Ad #2246909, "Beloit/Janesville CPA Practice 67% Cash Flow Listing WI1129" (see Sources, item 1).

What is not disclosed

- 2024 and 2025 profit-and-loss statements, balance sheets, and tax returns
- Monthly revenue or seasonality; accounts receivable aging and collection policy
- SDE bridge from net income, including every add-back and related-party item
- Owner role, hours, client relationships, licenses, and post-close availability
- Employee roles, credentials, pay, tenure, benefits, and retention intentions
- Top-client concentration, churn, realization rates, write-offs, and client age profile
- Actual occupancy cost, building terms, market rent, lease length, options, and escalators
- Deal terms: working capital, accounts receivable, debt, seller financing, and non-compete

Scope note

This sample is a pre-letter-of-intent screen, not confirmatory due diligence. It uses only public listing data and explicitly labeled scenarios. No confidential information, tax returns, bank statements, client files, lease, quality-of-earnings work, legal review, or lender underwriting was available.

Occupancy and stale financials can change the economics

SDE normalization starts with one known gap

The listing's advertised SDE is \$267,000. Because the occupancy disclosure conflicts and no rent is provided, we cannot calculate a defensible normalized SDE. The table below shows one screening scenario—not a factual adjustment—to demonstrate sensitivity.

Reconciliation line	Amount	Treatment
Advertised SDE	\$267,000	Listing
Market-rent scenario	(\$24,000)	Illustrative
Software transfer	\$0	Verify
Related-party payroll	\$0	Verify
Normalized SDE	\$243,000	Scenario
Ask / normalized SDE	1.65x	Computed

Illustrative assumption: \$24,000 annual market rent is used only to show direction and magnitude. It is not a market-rent opinion. Replace it with a broker opinion, comparable leases, or an executed arm's-length lease before relying on the result.

The margin is unusually strong

Measure	Subject	Benchmark
SDE margin	68.3%	52.1% benchmark
Revenue	\$391,000	\$400,000 benchmark
SDE	\$267,000	\$208,303 benchmark

BizBuySell reports financials for accounting and tax practices sold from 2021–2025. The five-year SDE-margin figure is 52.1%, and even the strongest year in the table, 2024, was 61.5%. The subject's margin is not impossible, but it requires a clean bridge and proof that all ongoing costs—including occupancy and replacement labor—are captured.

Evidence required to accept SDE

Tie the last two full years and current year-to-date income statements to tax returns, bank deposits, payroll filings, and the general ledger. Then test each add-back for recurrence, buyer replacement cost, related-party treatment, and post-close necessity.

The low multiple prices risk, not necessarily value

Valuation snapshot

Metric	Subject	Market reference
Ask / revenue	1.02x	1.21x sector avg.
Ask / SDE	1.50x	2.46x sector avg.
Ask / scenario SDE	1.65x	2.46x sector avg.

The subject screens below BizBuySell's reported Financial Services averages of 1.21x revenue and 2.46x cash flow for businesses sold from Q3 2021 through Q2 2026. A separate accounting-practice benchmark shows a 2.23x average earnings multiple for sold businesses from 2021–2025. Benchmarks are context, not a valuation: size, quality, concentration, growth, staffing, market, terms, and data quality drive the applicable multiple.

Why the discount may be rational

Risk	Why it matters	LOI response
Client retention	Revenue may not transfer	Earn-out / holdback
Owner dependence	Buyer may need replacement labor	Normalize comp
Stale financials	Trend is unknown	Price on current period
Occupancy	Hidden cost or lease risk	Lease contingency
Tax concentration	Seasonal and deadline-driven	Monthly cash plan
Staff continuity	Execution capacity unclear	Retention condition

Valuation collar for discussion

Rather than anchor to the \$400,000 ask, calculate consideration from verified normalized SDE and a negotiated multiple. For illustration only:

Verified SDE	1.50x	1.75x	2.00x
\$220,000	\$330,000	\$385,000	\$440,000
\$243,000	\$364,500	\$425,250	\$486,000
\$267,000	\$400,500	\$467,250	\$534,000

Interpretation: the seller's ask is approximately 1.50x advertised SDE, but 1.65x the illustrative normalized SDE. The buyer should negotiate the inputs and risk allocation—not simply choose a multiple from a table.

Financing works on paper but not yet on verified cash flow

Illustrative acquisition case

Assumption	Illustrative input	Comment
Purchase price	\$400,000	Listing ask
Equity injection	\$40,000	10% scenario
Loan principal	\$360,000	Excludes fees / WC
Interest rate	10.50%	Scenario only
Amortization	10 years	Scenario only
Annual debt service	\$58,292	Computed
Normalized SDE	\$243,000	Rent scenario

At these assumptions, SDE-to-debt-service coverage is 4.17x and cash after debt service is about \$184,700 before income taxes, capital expenditures, working capital, and any incremental owner-replacement cost. That looks strong—but it is not bankability evidence because the \$243,000 SDE is unverified and the financing terms are hypothetical.

Downside screen

Case	SDE	Coverage	After debt
Advertised	\$267,000	4.58x	\$208,708
Rent scenario	\$243,000	4.17x	\$184,708
20% below scenario	\$194,400	3.33x	\$136,108
35% below scenario	\$157,950	2.71x	\$99,658

What this does not include: SBA guaranty fees, closing costs, loan fees, working-capital funding, accounts-receivable purchase, real estate, owner salary requirements, income tax, capital expenditures, or seller financing. A lender must determine eligibility and actual terms.

Financing conclusion

The headline cash flow appears capable of supporting acquisition debt under the illustrated terms. The risk is not the arithmetic; it is whether current, transferable, normalized cash flow is close to the listing claim.

A narrow pre-LOI request list can resolve the thesis

Financial proof

- 2023–2025 business tax returns and year-end financial statements; current year-to-date monthly financials
- General ledger and a complete SDE schedule that identifies each adjustment by account and period
- Monthly bank statements and merchant deposits sufficient to tie revenue to books and returns
- Accounts receivable aging, write-offs, collection policy, and unbilled work in process
- Payroll registers, Forms W-2/1099, employee benefits, related-party payments, and owner compensation

Revenue durability

- An anonymized client list with trailing revenue, service line, tenure, geography, realization, and last service date
- Top 20 clients by revenue and gross contribution; loss history for the last three years
- Annual client counts, average fee, return volume, new clients, lost clients, and reasons for departure
- Copies of engagement-letter templates, automatic-renewal terms, and assignability or consent requirements

People, operations, and occupancy

- Owner calendar, weekly hours, client-facing duties, review/signing duties, sales activity, and seasonal workload
- Employee roster with role, credentials, tenure, compensation, benefits, hours, and planned post-close status
- Software and vendor list with annual cost, contract term, transferability, data ownership, security, and termination rights
- Current deed/lease, occupancy expense history, proposed buyer lease, options, escalators, maintenance obligations, and market-rent support
- Transition plan, non-compete/non-solicit proposal, seller availability, and retention-based consideration proposal

Stop condition

If the seller cannot reconcile SDE to source documents, will not disclose anonymized concentration data, or cannot provide a clear occupancy path, do not solve the uncertainty with a lower multiple alone. Pause or pass.

A guarded LOI should allocate retention and occupancy risk

Recommended posture

If the requested information supports the thesis, move forward with a short, non-binding LOI that states how price is determined and keeps the known risks with the party best able to control them.

Term	Suggested direction	Purpose
Valuation	Based on verified SDE	Avoid stale anchor
Structure	Asset purchase	Limit assumed liabilities
At close	Majority, not all	Preserve leverage
Contingent pay	Client-retention based	Share transfer risk
Working capital	Defined target	Prevent cash squeeze
Occupancy	Executed lease condition	Remove contradiction
Staff	Key-employee continuity	Protect capacity
Seller support	Specific hours / period	Make transition real
Restrictive covenants	Counsel-drafted	Protect client book
Exclusivity	Short and milestone-based	Maintain momentum

Example non-binding economics—not a recommendation

A buyer could propose total consideration equal to an agreed multiple of verified normalized trailing-twelve-month SDE, subject to a cap. A portion would be paid at closing and a portion over 12–24 months based on retained client revenue. Final structure should reflect tax, licensing, lender, and legal advice.

Questions for the seller call

1. Walk us from tax-return net income to the \$267,000 SDE, line by line.
2. What occupancy cost is in the financials today, and what lease would a buyer sign?
3. What changed in revenue, client count, and pricing in 2024, 2025, and current year?
4. Which clients and workflows depend personally on the owner?
5. Who reviews and signs tax work, and what credentials do the three employees hold?
6. How many clients were lost in each of the last three years, and why?
7. What transition commitment will the owner make during and after tax season?
8. Would the seller accept consideration tied to retained revenue?

Sources, assumptions, and limitations

Public sources

1. **Source listing:** [“Beloit/Janesville CPA Practice 67% Cash Flow Listing WI1129,” BizBuySell, Ad #2246909.](#)
2. **Industry benchmark:** [“Accounting & Tax Practice Business Valuation Multiples & Financial Benchmarks,” BizBuySell.](#)
3. **Sector benchmark:** [“Business Valuation Multiples by Industry: Revenue & Earnings \(SDE\),” BizBuySell.](#)

Key assumptions

- The company name “Maple Grove Tax & Accounting” is fictional; the underlying listing is real and publicly accessible.
- The \$24,000 market-rent adjustment is an illustrative sensitivity, not a verified market rate or appraisal.
- The financing case assumes a \$400,000 purchase price, 10% equity, a \$360,000 loan, 10.50% interest, and 10-year amortization. Actual lender terms may differ.
- All arithmetic is rounded. Benchmark data is aggregated and does not establish the value of this business.

Limitations

This report is designed to identify questions, decision points, and preliminary risk allocation before a letter of intent. It is not a valuation, quality-of-earnings report, audit, lending commitment, legal opinion, tax opinion, licensing determination, or recommendation to buy or sell. Public listing statements are seller- or broker-supplied and were not independently verified. A buyer should retain qualified accounting, legal, tax, lending, insurance, information-security, and industry advisers before committing capital.

Bottom line

The opportunity merits a closer look, not a blind offer. Verify normalized current earnings, prove client and staff transferability, lock down occupancy, and make the LOI contingent where the seller controls the risk.

Analyst sign-off

Reviewed and signed by: [Analyst name, credentials]

Signature: _____ **Date:** _____

Sample report — shown unsigned. Every client report is signed by the reviewing analyst.

DEAL DETECTIVE

Know what you're buying before you sign.