

8. Has the practice ever had any offers to merge with another practice? _____

Service Mix

9. Description of the practice's service mix (i.e., types of engagements, or services performed): _____

10. Breakdown of revenue by service:

| Service | Percent of Revenue | % of Recurring Clients/Patients |
|---------|--------------------|---------------------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

11. How diversified is the service mix? Do all revenues depend on the same factors? _____

12. Which service area is growing fastest? _____

The slowest? _____

13. Has the practice developed any proprietary products? Does the practice have patents, technology, or expertise that prevent others from copying the services offered? If so, when will the protection for these items expire?

14. Discuss the practice's research and development efforts, the importance of new products or services, and the annual cost of research and development activities. _____

15. Are revenues cyclical? What economic factors (inflation, interest rates, etc.) affect revenue? _____

16. The following questions apply to medical practices:
- a. How many surgical procedures are performed each week? _____

- b. Which hospitals are used for surgery? How is the choice of hospitals determined? _____

- c. Does any one type of surgery dominate the others? _____

- d. Is a surgical diary maintained? If so, please provide a copy. _____

- e. Are there any types of procedures that the practice will not perform? If so, what and why? _____

- f. Does the practice maintain a statistical report that reflects the frequency of services provided by Current Procedural Terminology (CPT) code? If so, please provide a copy for the last 12 months of operations. _____

- g. What are the top 10 outpatient procedures performed by the practice? Is the amount of reimbursement received for those procedures declining because of recently negotiated managed care contracts? _____

h. Does the practice maintain a detailed appointment book for each physician? If so, please provide copies of the appointment books for the last 12 months. _____

17. The following questions apply to veterinary practices:

a. What types of animals does the practice treat (i.e., small animal, large animal, mixed, or equine)? Give the estimated percentage of each type of animal treated. _____

b. Does the practice board animals? _____

c. Does the practice make house calls? _____

Client Base

18. Are revenues seasonal? _____

19. Describe the practice's client base. _____

20. How many clients/patients are seen per week, on average? What percentage are seen in the practice office? _____

21. Describe the geographic area that clients/patients come from (i.e., the approximate mile radius from the office). _____

22. How would the geographic area be described (i.e., urban or rural, growing or declining, affluent or lower income, stable or transient)? _____

23. Are there any special demographic factors that should be considered such as the age of clients/patients? _____

24. How does the practice obtain clients/patients? _____

25. What percentage of total clients/patients are the result of referrals? _____ Of this percentage, how many referrals were from other professionals? _____ How many referrals were from other clients/patients? _____ Are referrals to a specific professional/doctor, or to the firm in general? _____

26. Does any one referral source account for 10% or more of practice revenue? _____ Does any referral source account for 5% or more? _____

27. Are there any contractual relationships that provide the practice with access to facilities or client referrals? Briefly describe the relationship and the percentage of revenues provided by the relationship. _____

28. Does the practice maintain records to track the source of clients/patients? _____

29. Does the practice advertise? Describe marketing methods, if any. _____

30. What is the annual cost of marketing and practice development efforts, including travel and entertainment costs relating to entertaining referral sources or potential clients? _____

31. The following questions apply to medical or dental practices:

a. What percentage of referrals are from patients? What percentage are from other doctors? _____

b. Are patients referred to the practice or to a specific doctor? _____

c. How many active patients are seen by the practice? _____

d. How many patients are seen in a day/week/month? _____

e. How many new patients are seen in a month? _____

f. Are patients seen by the practice once, or are follow-up visits regularly scheduled? _____

g. Does the practice primarily treat children, adults, or both? _____

32. The following question applies to a veterinary practice:

How many animals does the practice see in a day, on average? _____

Competition

33. Who are the practice's major competitors? Where are they located? How big are they? What is their market share? How diversified are they? _____

34. How does the practice compare in size and market share to its competitors? _____

35. How easy is it to enter the profession? What are the barriers to entry? _____

36. What are the practice's competitive strengths and weaknesses? _____

Operations

37. Describe the practice's organization structure. (Attach organization chart, if available.) _____

38. As of the valuation date, what are the weekly hours for the practice? _____

39. How often does the practice bill? Describe the basis for fees, i.e., hourly charge, fixed fee, cost plus, fee schedule, etc. Provide a copy of fee schedule, if available. _____

40. What is the balance of unbilled work in process? How much of this balance is collectible? _____

41. Does any of the work in process represent contingent fees? If so, what percentage? _____

42. Complete the following:

| Service | Gross Fees | Write Down | Net Fee | Paid by Insurance | Paid by Client/Patient | Write Down |
|----------------|-------------------|-------------------|----------------|--------------------------|-------------------------------|-------------------|
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| TOTAL | ===== | ===== | ===== | ===== | ===== | ===== |

43. Attach a listing of accounts receivable as of the valuation date, with an aging of those accounts that are 30, 60, and 90 days overdue. What is the practice's percentage of collectibility for receivables? _____

44. How are fees paid (i.e., check, cash, credit cards)? _____

45. Are buildings and equipment owned or leased? If leased, are the leases renewable and on what terms? Are leases between the practice and related parties? _____

46. What is the overall condition of the practice's equipment? Is there any inefficient or obsolete equipment? When is the equipment likely to be replaced? What is the likelihood of major repairs? Attach a listing of all equipment owned by the practice, including details of acquisition date, cost, accumulated depreciation, and any loans secured by the equipment. _____

47. Please provide a listing and approximate value of the drugs and/or supplies on hand. _____

48. Discuss any technology trends that impact the profession. _____

49. Does the practice have any foreign clients? If so, does the company have any problems with any foreign governments? _____

50. Discuss the effects of any federal or state regulation or subsidies on the practice's operations. _____

51. The following questions apply to medical or dental practices:

a. For non-surgical procedures, are patients required to pay at the time the procedure is performed?

b. Is the practice affiliated with any insurance companies as a preferred provider? Does the practice serve any HMOs? List company names, describe the fee arrangements, and note the percentage of gross fees that comes from such arrangements. _____

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- c. What is the time frame for reimbursement from insurance companies, HMOs, PPO's and Medicare and Medicaid? _____

 - d. What percentage of gross fees is received from Medicare or Medicaid? _____

 - e. Discuss the practice's payor mix and how that mix has changed in recent years. For example, has the practice been adversely affected by the shift from reimbursement on a fee-for-service basis to discounted managed care contracts with HMOs, PPOs, and others? If so, is that adverse trend continuing, or has the practice negotiated contracts that increase both revenue and profits? _____

 - f. Does the practice have any global capitation contracts with managed care companies? If so, does the practice have the expertise to properly manage the risk of providing patient care in return for fixed monthly payments? _____

 - g. Does the practice have any *exclusive* contracts with the dominant managed care company in its market? If so, has the practice received satisfactory patient survey results in connection with such contracts?

 - h. How many of the practice's managed care contracts are currently up for renewal? How significant is the risk that the provider will be unable to renew those contracts? _____

 - i. Does the practice periodically update its patient fee schedule? When was the last time the fee schedule was updated? Please provide a copy of the current fee schedule. _____

 - j. Has the practice entered into managed care contracts with HMOs, PPOs, or the Medicare program? If so, please provide copies of all managed care contracts. _____

Management and Employees

52. List key members of management.

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| Name | Title |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

53. Discuss the practice's key management members (age, health, education, experience, and current duties). [If a medical practice is being valued, note medical school attended, and where internship and residency were performed.] _____

54. Describe professional qualifications of key members of management, including professional society memberships, states licensed to practice, board certifications, hospital affiliations (if a medical practice).

55. Discuss any turnover in key members of management over the last five years. _____

56. List the primary administrative employees. Note age, qualifications, experience, pay rate, and current duties. (Note: Key management personnel are discussed in previous sections.) _____

57. Discuss basis of compensation. Also, describe employee benefits (insurance, profit sharing, etc.). _____

58. Discuss any employment contracts. _____

Has the practice ever had any associates? Were they offered the chance to buy into the practice? If so, why didn't they buy in? _____

66. The following questions (a.–d.) apply to accounting and legal practices:

a. Have any new partners/owners been admitted in the last several years? If so, describe the admission process. _____

b. Will any of the staff be admitted into the partnership in the near future? _____

c. Has any partner or owner been bought out? _____

d. Describe the terms of any recent transactions involving partner/owner admissions or departures. _____

67. Describe any contractual obligations or restrictions, such as stockholder/partnership/operating agreements, buy-sell agreements, and loan covenants, that may require consideration during the engagement. _____

Financial

68. Obtain copies of the practice's year-end financial statements for the last five years (or since the inception of the practice, if less than five years). Also, obtain copies of any interim statements since the most recent year end. For each year-end statement, complete the following analysis:

| Financial Statement Date | Type of Report (check one.) | | | | Was CPA's Report Qualified? | |
|--------------------------|-----------------------------|-------------------------|----------|---------|-----------------------------|-------|
| | Internal | CPA Involvement, if any | | | Yes | No |
| | | Compiled | Reviewed | Audited | | |
| 20__ | _____ | _____ | _____ | _____ | _____ | _____ |
| 20__ | _____ | _____ | _____ | _____ | _____ | _____ |
| 20__ | _____ | _____ | _____ | _____ | _____ | _____ |
| 20__ | _____ | _____ | _____ | _____ | _____ | _____ |
| 20__ | _____ | _____ | _____ | _____ | _____ | _____ |

69. Describe the nature of any report qualifications or unusual matters noted in reviewing the practice's financial statements that may affect the engagement. _____

70. If year-end financial statements are not available for the last five years (or period since inception if less than five years), briefly describe how this matter may affect the engagement (such as including a caveat in the report, compiling those statements as part of the engagement, or using tax returns instead). _____

71. Obtain and review copies of the practice's tax returns for the last five years (or since the date of inception if less than five years). Briefly describe any unusual matters noted in reviewing the tax returns that may require special consideration during the valuation. _____

72. Obtain copies of any forecasts or budgets of future operations. Briefly describe any unusual matters that may require special consideration during the valuation. If such statements are not available, state whether they will be needed during the engagement and who will probably prepare them. _____

73. Has there been any change in accounting principles during the past five years (e.g., cash to accrual) or similar changes that might affect the comparability of the financial statements? _____

74. Describe any relevant specialized accounting practices or principles followed by the profession. _____

75. Have there been any nonrecurring or extraordinary income or expenses during the last five years? _____

76. What are the main discretionary expenses (such as bonus, profit sharing, advertising, and R&D)? How have the levels of those expenses changed during the last five years? _____

77. Describe short-term sources of credit and how they were used during the last five years. _____

78. Describe long-term sources of credit and how they were used during the last five years. _____

79. Discuss plans for major capital expenditures, how they will be financed, and how much represents expansion versus replacement of existing assets. _____

80. Discuss any contingent liabilities, including lawsuits and pending or threatened litigation. _____

81. Discuss any malpractice suits that have been brought against the firm/practice or an individual member/owner.

82. Describe any nonoperating assets, such as aircraft, boats, and real estate investments. _____

83. Describe the rights included in or excluded from any intangible assets, such as licensing agreement, nondisclosure agreements, and other contractual obligations. _____

Future Expectations

