

Due Diligence Checklist

15 Items You Need to Start the Process

1. Tax returns and financial statement or the last 3-5 years.
2. Last 12-36 months of income and expense statements by month.
3. Details of sales cost of goods sold, payroll, and other major line items.
4. Aged receivables and payables (may not be relevant).
5. List of all furniture, fixtures and equipment as well as any other special assets (exclusive agreements, patents, licenses, franchise agreements, and web site domain names).
6. Current asset depreciation schedules (tells when equipment was acquired, and when improvements were made, and what they cost).
7. List of assets owned by, but not used in, the business (i.e. owner's personal vehicles and items that may be on the books but are not included in the sale).
8. List of assets used in, but not owned by, the business (i.e. owner's personal audio sound system, computers, art work—items which may need to be replaced at buyer's cost).
9. Inventory description and evaluation of current and saleable inventory (finished inventory, seconds, and work in process).
10. Customer and/or supplier lists and how kept. (Buyer should examine what percentages of sales and expenses are influenced by key customers and suppliers).
11. Legal documents (real estate and equipment leases; tax assessment records, real estate deeds, surveys, plot plans, diagrams, photographs, partnership agreements, license and any other agreements).
12. Employee list with job descriptions, hours, pay, next pay raise due, accrued vacation pay, plans and benefits.
13. Company brochures, price lists, internal, and external memoranda.
14. List of competitors—their market shares and strategies (buyer gets seller's ideas on these subjects up-front, then visits and shops the competition).
15. Copies of relevant trade journals or studies made by independent parties.

Note: This list only includes items for business due diligence. A separate checklist is require for real estate due diligence.