

Business Acquisition Due Diligence Checklist

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A general starting point, not legal, tax, or accounting advice. Not every item applies to every business. Review with your attorney, CPA, and lender.

Mark each item: [] requested [R] received [OK] reviewed [!] issue

1. FINANCIAL

- ☐ Three years of business tax returns
- ☐ Year-to-date financial statements
- ☐ Monthly profit and loss statements (36 months)
- ☐ Bank statements to reconcile deposits with reported revenue
- ☐ Documentation for every SDE / EBITDA add-back
- ☐ Accounts receivable aging
- ☐ Accounts payable aging
- ☐ Inventory count and valuation method (if included)
- ☐ Sales tax, payroll tax, and other tax filings and payment history
- ☐ Capital expenditure history and upcoming equipment needs
- ☐ Debt schedule and liens on business assets
- ☐ Quality of earnings report (if required or warranted)

2. CUSTOMERS AND REVENUE

- ☐ Revenue by customer, three years; concentration analysis
- ☐ Customer contracts, renewal terms, assignment provisions
- ☐ Retention or churn data for recurring revenue
- ☐ Pipeline, backlog, or booked work
- ☐ Pricing history and recent changes
- ☐ Online reviews and complaint history

3. LEGAL AND CORPORATE

- ☐ Entity documents, ownership records, good standing
- ☐ Leases: term, renewals, assignment consent, guarantees

- ☐ Material supplier, customer, and partner contracts; assignability
- ☐ Pending or threatened litigation, claims, regulatory actions
- ☐ Licenses and permits; transferability
- ☐ Intellectual property: trademarks, domains, software
- ☐ Insurance policies and claims history
- ☐ Environmental matters (if property or hazardous materials)

4. OPERATIONS

- ☐ Owner's weekly role and tasks only the owner performs
- ☐ Key processes, documented or not
- ☐ Supplier relationships and concentration
- ☐ Equipment list, condition, maintenance records
- ☐ Facilities and capacity
- ☐ Quality control and service standards

5. EMPLOYEES

- ☐ Organization chart and employee census (role, tenure, pay, benefits)
- ☐ Key employees and retention risk
- ☐ Employment agreements, non-competes, contractor classification
- ☐ Payroll records and benefit plans
- ☐ Employee licenses or certifications the business depends on
- ☐ Pending HR claims or wage disputes

6. TECHNOLOGY AND DATA

- ☐ Systems for accounting, scheduling, CRM, operations; account owners
- ☐ Software licenses and transferability
- ☐ Website, domain, and social media ownership and access
- ☐ Customer data handling and privacy obligations
- ☐ Cybersecurity practices and incident history

7. FINANCING AND TRANSACTION

- ☐ Lender conditions, business valuation, quality of earnings
- ☐ Documentation of equity injection source

- ☐ Seller note terms aligned across LOI, purchase agreement, and note
- ☐ Purchase price allocation (IRS Form 8594 for asset purchases)
- ☐ Working capital target and adjustment mechanics
- ☐ Transition plan and seller consulting terms
- ☐ Insurance and licenses in place for day one

RED FLAGS TO ESCALATE

- ☐ Tax return revenue does not match the P&L
- ☐ Large undocumented add-backs
- ☐ One customer above 20% to 30% of revenue
- ☐ Lease without assignment rights or with a short remaining term
- ☐ Owner performs essential technical work
- ☐ Unfiled or unpaid payroll or sales tax

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