Business Buyer Due Diligence Kit

A practical, evidence-first working file for business acquisitions

Prepared by Official Business Doctor. Updated August 31, 2026.

This working kit helps a buyer organize evidence. It is not financial, legal, tax, accounting, environmental, insurance, or lending advice. Adapt every request to the business, transaction structure, and jurisdiction with qualified advisers.

1. Diligence checklist

Financial and tax

- ■ Federal, state, and local tax returns for the last three to five years
- ■ Monthly profit and loss statements, balance sheets, and cash-flow statements
- ■ Bank statements and merchant processor statements supporting reported revenue
- ■ Accounts receivable and payable aging reports
- ■ General ledger detail and a written bridge for every proposed add-back
- ■ Debt schedule, liens, guarantees, leases, and off-balance-sheet obligations
- ■ Capital expenditure history and a list of deferred maintenance
- ■ Working-capital history by month, including inventory seasonality

Revenue, customers, and market

- ■ Revenue by customer, product or service, channel, and location
- ■ Top customer contracts, renewal dates, pricing terms, and change-of-control provisions
- ■ Customer concentration and churn history
- ■ Sales pipeline support and recurring-revenue evidence
- ■ Refunds, credits, chargebacks, warranty claims, and disputed invoices
- ■ Competitor list and any documented market share claims

Employees and operations

- ■ Employee roster with role, tenure, pay, benefits, classification, and leave balances
- ■ Contractor list and supporting agreements
- ■ Organization chart and owner task inventory
- ■ Payroll registers and payroll tax filings
- ■ Licenses, permits, certifications, and renewal calendar
- ■ Vendor list, contracts, pricing, exclusivity, and single-source dependencies
- ■ Standard operating procedures, quality records, and safety records
- ■ Cybersecurity, access-control, backup, and incident records

Legal, property, and assets

- ■ Formation documents, ownership records, minutes, and material agreements

- Litigation, claims, investigations, complaints, and settlement history
- Intellectual-property registrations, licenses, domain ownership, and software agreements
- Real-estate and equipment leases, including assignment requirements
- Fixed-asset register, titles, serial numbers, condition, and ownership evidence
- Insurance policies, claims history, exclusions, and required post-close coverage
- Environmental reports and regulated-material records when relevant

2. Document request list

For each request, record the owner, date requested, date received, period covered, source system, reviewer, exceptions, and follow-up. Do not mark an item complete merely because a file was uploaded. Confirm that it is complete, current, legible, and reconcilable.

Use this priority order:

1. Documents that test revenue and cash.
2. Documents that reveal liabilities and transfer restrictions.
3. Documents that show whether the business can operate without the seller.
4. Documents required by lenders, insurers, landlords, licensors, and regulators.
5. Documents needed to control the first day after closing.

3. Seller questions

- What work do you personally perform each day, week, month, and year?
- Which customers, employees, vendors, and referral sources depend on you personally?
- What has become harder or more expensive during the last two years?
- Which revenue would be hardest for a buyer to reproduce?
- Which expense is currently below a sustainable level?
- Which add-back would you reject if you were the buyer, and why?
- What equipment, inventory, software, process, or relationship needs attention next?
- Which contract can terminate, reprice, or require consent after a change of control?
- What promise has been made to an employee, customer, vendor, landlord, or regulator that is not in the files?
- What would cause you to walk away if you were buying this business today?

4. Red-flag worksheet

For every issue, write the claim, evidence reviewed, amount or operational impact, probability, owner, deadline, and resolution. Classify it as:

- **Fatal:** the investment case, legality, financing, or transfer cannot be supported.
- **Price:** the issue can be quantified and reflected in value.
- **Structure:** risk belongs in a holdback, escrow, seller note, representation, warranty, or closing condition.
- **Transition:** the issue requires a documented handoff and post-close owner.
- **Monitor:** evidence is adequate now, but the risk needs a post-close metric.

5. Closing-readiness checklist

- ■ Final purchase agreement matches the approved economics and asset or equity structure
- ■ Sources and uses reconcile to lender, buyer, seller, and closing statements
- ■ Working capital, cash, debt, inventory, and prorations use an agreed definition
- ■ Required landlord, lender, licensing, customer, and vendor consents are complete
- ■ Insurance is bound for the correct entities, assets, locations, and effective time
- ■ Payroll, banking, merchant processing, tax, utilities, and critical vendors are ready
- ■ Administrative accounts, domains, phone numbers, software, keys, and credentials transfer securely
- ■ Employee and customer communication plans have owners and timing
- ■ Seller training and transition obligations have dates, deliverables, and remedies
- ■ Open diligence items are resolved, waived in writing, or reflected in closing terms
- ■ The first-day, first-week, and first-30-day operating plan has named owners
- ■ Counsel, tax adviser, accountant, lender, and insurer have cleared their required conditions

Final decision record

State the verified earnings basis, purchase price, total cash required, debt service, working-capital need, unresolved risks, downside case, walk-away conditions, and the single strongest reason to proceed. Then write the strongest reason not to proceed. A decision that cannot survive both statements is not ready.