Checklist: due diligence when buying a business

Due diligence is simply the process of checking that what you've been told about the business is true and that what you have assumed about the business is true.

It is usually carried out after the buyer and seller have agreed, in principle, to the sale of the business but before a binding contract is signed.

See our Guide to Buying an Existing Business in Another Country at www.guidesglobal.com/buying-an-existing-business-in-another-country

Item	✓
Accounting records	
Tax returns	
Bank records	
Utility (electricity, water, telephone etc) bills	
Bank and other loans	
Work manual or system of work	
Official company records	
The seller's claims about the business	
Arrangements protecting the intellectual property of the business	
Non-competition arrangements (so that the seller can't set up next door to you)	
The staff:	
Are they reliable?	
Have there been disciplinary issues?	
What rights do they have?	
Have they been paid up-to-date?	
Stock check	
The condition of any equipment that you're buying	
Existing accounting arrangements, including internal accounting systems	

Intellectual property assets of the business – logo, trade name, website etc	
Existing contracts with customers	
Existing leases	
Credit and other checks on the business	
The seller:	
What is their local reputation?	
Do they have debts or court orders against them?	
Arrangements for any trial period – are they adequate? It is desirable that you should be allowed access to the business, preferably working in it, whilst the due diligence is being carried out.	