

The Business Acquisition Due Diligence Checklist

40+ Items to Verify Before You Sign Anything

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Due diligence is not paperwork. It is film study. Every document tells you something about the business you're about to own.

This checklist covers the four domains of acquisition due diligence: Financial, Legal, Operational, and People. Work through each section with your deal team before you execute the final purchase agreement. Nothing on this list is optional.

FINANCIAL DUE DILIGENCE

- 3 years of profit & loss statements (P&L;)
- 3 years of business tax returns (Federal and State)
- Most recent 12 months of bank statements
- Current accounts receivable aging report
- Current accounts payable aging report
- Inventory list with current valuation
- All capital expenditures in the last 3 years
- Equipment list with age, condition, and replacement cost
- Outstanding loans or lines of credit (terms, balances, lender)
- Any off-balance-sheet liabilities or contingent obligations
- Owner's SDE recast (add-backs verified against documentation)
- Revenue by customer — last 3 years
- Revenue by product/service line — last 3 years
- Gross margin by product/service line

LEGAL DUE DILIGENCE

- Articles of incorporation / LLC operating agreement
- List of all business licenses, permits, and certifications
- All customer contracts (review assignability clauses)
- All supplier/vendor contracts (review assignability clauses)
- Commercial lease agreement (review assignability and length)
- Franchise agreement, if applicable
- Any non-compete agreements with sellers or employees
- Pending or threatened litigation — request written disclosure
- Search court records for judgments or liens
- Intellectual property: trademarks, patents, domain names, proprietary software
- Insurance policies currently in force (verify no lapses)
- Environmental compliance documentation (for real property)

OPERATIONAL DUE DILIGENCE

- Org chart and reporting structure
- Written Standard Operating Procedures (SOPs) for key processes
- Customer concentration analysis — no single customer above 20% of revenue
- Supplier concentration — single-source dependencies
- Technology stack: software licenses, subscriptions, integrations
- Website analytics and digital presence audit
- Review of online reputation (Google, Yelp, industry forums)
- Current marketing activities and channels

- Pricing strategy and pricing history
- List of all physical assets (vehicles, equipment, tools)
- Real property: owned vs. leased — confirm title or lease terms

PEOPLE & HR DUE DILIGENCE

- Full employee list with roles, tenure, and compensation
- Identify key employees — who is essential to operations?
- Review any existing employment agreements
- Confirm status of any independent contractors (1099 vs. W2 audit risk)
- Review any pending HR claims or EEOC complaints
- Benefit plans: health insurance, 401K, profit sharing
- Current HR policies and employee handbook
- Key employee retention plan — who will you keep and how?
- Seller transition agreement: duration, role, compensation
- Non-solicitation agreements for the seller post-close

**Need help running due diligence on a live deal? Book a Discovery Call at
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