

Business Purchase Due Diligence Checklist

A Structured Guide for Evaluating a Business Before Acquisition

1. Corporate & Ownership Information

Purpose: Verify the legal and structural status of the business.

Checklist

- Business registration certificate
- Corporate registry records
- Articles of incorporation
- Shareholder agreements
- Ownership structure and share distribution
- Business licenses and permits
- Certificate of good standing from registry
- Record of previous ownership transfers
- Subsidiaries or affiliated companies
- Director and officer information

- Ownership confirmation documentation
 - Owners' identity verification
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2. Financial Review

Purpose: Evaluate the financial health and accuracy of reporting.

Checklist

- Financial statements for the past 3–5 years
- Profit and loss statements
- Balance sheets
- Cash flow statements
- Bank statements
- Accounts receivable aging report
- Accounts payable aging report
- Tax filings and CRA records
- Outstanding debts and loans
- Financial forecasts or projections

Key Questions

- Are revenues stable or declining?

- Are expenses accurately recorded?
 - Are there unusual financial fluctuations?
 - Are there hidden liabilities?
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3. Operations Review

Purpose: Evaluate how the business operates on a daily basis.

Checklist

- Operational workflow documentation
- Inventory levels and valuation
- Supplier agreements
- Vendor contracts
- Customer contracts and agreements
- Production or service delivery process
- Equipment and machinery condition
- Technology systems used
- Business process documentation

Key Questions

- Are operations dependent on the owner?
- Are systems scalable?

- Are suppliers reliable?
 - Are there any complaints from suppliers?
 - Are suppliers verified and legitimate?
 - What contractual terms exist with suppliers?
 - Are there outstanding payments to suppliers?
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4. Legal & Contractual Review

Purpose: Identify contractual obligations and legal exposure.

Checklist

- Lease agreements and terms
- Vendor contracts
- Customer contracts
- Franchise agreements (if applicable)
- Non-compete agreements
- Employment agreements
- Litigation history
- Pending legal disputes
- Intellectual property ownership
- Insurance policies

5. Market & Competitive Analysis

Purpose: Evaluate the business's position within its industry.

Checklist

- Industry growth trends
- Market demand analysis
- Competitor analysis
- Market share estimate
- Pricing comparison with competitors
- Customer demographics
- Brand reputation and reviews

Key Questions

- Is the industry growing or declining?
- What is the business's competitive advantage?
- Who are the main competitors?

Risk Indicators

- Declining revenues
- Poor financial documentation
- Regulatory issues

- High operational dependence on the owner
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6. Human Resources Review

Purpose: Assess employee structure and obligations.

Checklist

- Organizational chart
- Employee contracts
- Payroll records
- Employee benefits programs
- Independent contractor agreements
- Employee retention risks
- Workplace policies and procedures
- Staff training and certification records

Key Questions

- Are key employees essential to operations?
 - Are there retention risks after the sale?
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7. Customer & Revenue Analysis

Purpose: Understand the stability and quality of the customer base.

Checklist

- Customer concentration analysis
- Major customer contracts
- Customer retention rate
- Sales pipeline or future orders
- Customer satisfaction indicators
- Revenue source diversification

Key Questions

- Are revenues dependent on a small number of clients?
 - Are customer relationships stable?
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8. Asset Verification

Purpose: Confirm ownership and condition of assets.

Checklist

- Equipment and machinery inventory
- Property ownership records

- Vehicle registrations
- Technology and software systems
- Inventory valuation
- Maintenance records

Key Questions

- Are assets properly maintained?
 - Are assets owned or leased?
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9. Regulatory & Compliance Review

Purpose: Verify compliance with industry and government regulations.

Checklist

- Business licenses and permits
 - Industry regulatory compliance
 - Environmental compliance (if applicable)
 - Safety standards compliance
 - Health inspections or certifications
 - Government reporting obligations
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10. Digital & Technology Assessment

Purpose: Evaluate digital assets and systems.

Checklist

- Website ownership and hosting access
 - Domain name ownership
 - Customer database ownership
 - Software licenses
 - IT infrastructure documentation
 - Cybersecurity practices
 - Backup and recovery procedures
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11. Risk Assessment

Purpose: Identify potential risks affecting the acquisition.

Checklist

- Financial risks
- Operational risks
- Regulatory risks
- Market risks
- Key employee dependency

- Supplier dependency
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12. Transaction Structure Review

Purpose: Review the terms of the business sale.

Checklist

- Purchase price structure
 - Asset purchase vs share purchase
 - Payment schedule
 - Seller financing terms
 - Transition assistance agreement
 - Non-compete clauses
 - Closing conditions
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13. Post-Acquisition Planning

Purpose: Plan for transition after purchase.

Checklist

- Ownership transition plan
- Employee communication plan

- Operational integration strategy
 - Customer retention strategy
 - Marketing and branding continuity
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Recommended Final Step: Due Diligence Summary Report

Prepare a structured report including:

1. Key findings
2. Identified risks
3. Financial health overview
4. Operational strengths and weaknesses
5. Strategic recommendations

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Considering purchasing a business? We can assist with business research, documentation review, and preparation of structured due diligence reports to help you evaluate risks and opportunities with clarity.

Contact Canadawise Consultation Services to learn more.

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