



## Basic Due Diligence Checklist

This document is supplied as general information only. For expert advice specific to your needs and circumstances please contact our office.

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## Due Diligence: Purchasing a Business Action Checklist

Buying a business involves careful consideration of many issues and as such should be undertaken in a systematic and methodical manner.

The purpose of this checklist is to highlight some common areas for a business buyer to consider when buying a business.

Item	Yes	No
<b>Where the business is conducted through a company</b>		
1. Has a company search been done to verify the vendor?	<input type="checkbox"/>	<input type="checkbox"/>
2. Are all ASIC compliance requirements up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the company have any overseas operations?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Financial position</b>		
4. Have you obtained the last four years' financial statements of the business?	<input type="checkbox"/>	<input type="checkbox"/>
<b>TIP:</b> Expert advice should be sought to interpret and analyse the information on the financial statements as these may materially differ from the taxable results generally reported by businesses in Australia. <a href="#">CLICK HERE to make an appoint for our expert assistance</a>		
5. Have you obtained information on the business' capital structure, debt, and related party interests?	<input type="checkbox"/>	<input type="checkbox"/>
6. Have you undertaken any industry benchmark analysis?	<input type="checkbox"/>	<input type="checkbox"/>
<b>TIP:</b> We see many business transactions every year. We have knowledge of local and industry performance across a range of businesses. Let us help you understand how this business compares to other similar businesses in your area. <a href="#">CLICK HERE to make an appoint for our expert assistance</a>		
7. Have you considered the financial projections and major growth drivers of the business in the next four years?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Taxation considerations</b>		
8. Have you obtained the last four years' tax returns, including supporting schedules and workpapers of the business, such as Capital Allowance schedules, Business Activity Statements, Fringe Benefits Tax returns, etc?	<input type="checkbox"/>	<input type="checkbox"/>
9. Have you obtained confirmation that all tax obligations such as income tax, GST, PAYG withholding, stamp duty and payroll tax are up-to-date and paid?	<input type="checkbox"/>	<input type="checkbox"/>
10. Have you familiarised yourself with the tax obligations of the entity to be purchased?	<input type="checkbox"/>	<input type="checkbox"/>
11. Have you reviewed all correspondence with the ATO and determined whether the business has any private tax rulings, tax elections, amended notices of assessment, etc that may apply?	<input type="checkbox"/>	<input type="checkbox"/>
12. Have you considered the stamp duty implications of the purchase of the business?	<input type="checkbox"/>	<input type="checkbox"/>



Item	Yes	No
13. Have you considered whether the purchase of the business will be a supply of a going concern, ie GST-free?	<input type="checkbox"/>	<input type="checkbox"/>
<div style="border: 1px solid black; padding: 5px;"><b>TIP:</b> Properly structuring your purchase as a Going Concern can save you thousands of dollars in GST. <a href="#">CLICK HERE to make an appoint for our expert assistance</a></div>		
<b>If you are buying a business through an asset sale</b>		
14. Has a fixed asset register been obtained detailing all the assets being sold?	<input type="checkbox"/>	<input type="checkbox"/>
15. Has the purchase price been apportioned across the assets being purchased?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Employee obligations</b>		
16. Have you obtained a list of the employees, including their salaries and other entitlements? Are there any key staff who would be imperative to the smooth, continued running of the business?	<input type="checkbox"/>	<input type="checkbox"/>
17. Are you aware of all employment conditions, including key workplace agreements, any incentive bonus plans, staff rotation policies, disciplinary procedures, standards of conduct, etc?	<input type="checkbox"/>	<input type="checkbox"/>
18. Have all outstanding employee entitlements, such as superannuation guarantee and annual leave, been accounted for?	<input type="checkbox"/>	<input type="checkbox"/>
19. Are the WorkCover premiums up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
20. Are you comfortable with the current business culture, the level of staff relations and turnover over the last four years?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Trading stock</b>		
21. Does the trading stock include any obsolete stock?	<input type="checkbox"/>	<input type="checkbox"/>
22. Has the trading stock been valued at market value?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Business premises</b>		
23. Have you sighted copies of all real estate lease agreements, deeds, mortgages and any relevant documents relating to the premises?	<input type="checkbox"/>	<input type="checkbox"/>
24. If the same business premises are to continue, has the vendor facilitated a lease assignment and all documents signed by you?	<input type="checkbox"/>	<input type="checkbox"/>
25. If there are improvements to the business premises, has a register been obtained detailing the improvements?	<input type="checkbox"/>	<input type="checkbox"/>



Item	Yes	No
<b>Other considerations</b>		
26. Do you know why the vendor is selling?	<input type="checkbox"/>	<input type="checkbox"/>
27. If you are acquiring the business with other people, do you have the necessary agreements in place?	<input type="checkbox"/>	<input type="checkbox"/>
28. Are the business operations subject to any government regulations? If so, are all relevant government licences, permits or consents up-to-date?	<input type="checkbox"/>	<input type="checkbox"/>
29. Have you given thought to whether the structure (company, partnership or trust) that the business operates through is suitable for your needs?	<input type="checkbox"/>	<input type="checkbox"/>
30. Have you searched the local council and other government agency records to ensure there are no plans or council orders that could disrupt the business or lead to a potential drop in sales?	<input type="checkbox"/>	<input type="checkbox"/>
31. If a restrictive covenant, earn-out clause or claw-back clause is included in the purchase contract, have you ascertained the legal and tax implications?	<input type="checkbox"/>	<input type="checkbox"/>
32. Have you identified the key customer and supplier contracts and the likely impact a change of ownership might have on these agreements?	<input type="checkbox"/>	<input type="checkbox"/>
33. Have you examined current production, distribution, sales and marketing strategies (including websites) of the business and the likely impact of a change of ownership?	<input type="checkbox"/>	<input type="checkbox"/>

### **Buying a Business? Call Your Accountant FIRST – Please!!**

#### **Why Bother When they Just Won't Understand The Opportunity?**

My job as an accountant is to ensure you get the right advice to understand the possible outcomes of your decisions. It is not to tell you whether or not you should buy that “once in a lifetime” business opportunity.

Buying a business is an exciting decision to make and believe me, as an accountant with many grey hairs, I do understand your excitement. Unfortunately I have also witnessed business decisions go horribly wrong and the common issue with many of those disasters is not getting the right advice at the beginning.

#### **What is Due Diligence?**

At the core of your business buying decision should be facts and analysis. This is called Due Diligence and is where a good accountant can help you get the best outcome by ensuring you make a fully informed decision.

The purpose of all due diligence is to inform you, the business buyer, of as much information to enable you to make a fully informed decision about the business you are looking to buy. Your due diligence should be systematic and comprehensive and this is the reason you should call your accountant first. A good accountant will understand your position, your personality, and most of all the due diligence and acquisition process. While much of the due diligence can be undertaken by yourself, so cost should not be an issue, your accountant will guide you towards the questions you should be asking and help you understand the answers.

Too often I find out about clients' buying businesses after they have finalised the purchase contracts and it is then often too late to ensure the due diligence process was sufficiently robust. When this happens I am reminded about Warren Buffet's that basically says:

***“It's far better to buy a great business at a fair price than a poor business at a cheap price”***