

Due diligences are analytical tools used by investors and companies to evaluate or investigate the odds for acquiring a business entity. Creating a systematic due diligence report for your due diligence process and M&A plans is integral to guide you in formulating logical decisions while finalizing business contracts and deals.

## **Due Diligence Definition & Meaning**

A due diligence is a clear and well-documented report that provides a comprehensive summary of the due diligence process and procedures.

Due diligences are vital for businesses to let the buyers and sellers gain an all-encompassing perspective of their potential investment of product purchase.

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

Due diligence is a summarized report of all the fundamental information collected from in-depth research and investigations into the target company for M&A plans. It is used by many investors and buyers to evaluate the pros and cons before concluding the deal. Also, it is a strategic document that addresses all potential risks and concerns.

## **10 Types of Due Diligences**

### **Business Due Diligence**

Investors use [business due diligence](#) to conduct an extensive investigation of their target company ahead of an audit, capital raise, initial public offerings (IPOs), or M&A. It validates the market environment of the target company by having an in-depth analysis of its financial records, legal issues, and market positioning. Also, it helps the buyers to arrive at a reasonable offer price and construct a favorable transaction.

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# BUSINESS DUE DILIGENCE



Black Companies

401 Lake Floyd Circle, Philadelphia, Delaware 19146

blackcompanies@email.com | 222 555 7777

## BUSINESS DUE DILIGENCE

To: Lake Floyd Companies	Date Prepared: September 10, 2052
Address: 648 Argonne Street, Newark, Delaware 19711	Prepared by: Andrew Williams

The following documents have been produced upon the request of Lake Floyd Companies for purposes of the merger and acquisition.

### BASIC CORPORATE DOCUMENTS

- Articles of Incorporation
- Meeting Minutes Book
- List of All Shareholders and Their Number of Owned Shares
- Voting Trust Agreements, Repurchases, and Exchanges

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## Technical Due Diligence

A [technical due diligence](#) is a document used during the process of evaluating the technology and related components of a business or organization in conjunction with main corporate events such as acquisitions, mergers, and IPOs. It assists the potential buyer to get an accurate look of the true value and potential growth and risks of the target company. This tool analyzes their software, products, systems, and technological practices.



Granite Inc.

657 Clinton Ave., Grand Prairie, TX 75051

graniteinc@email.com | 222 555 7777

# TECHNICAL DUE DILIGENCE

<b>To:</b> Half Lane Corp.	<b>Date Prepared:</b> September 21, 2052
<b>Address:</b> 407 SE. Ivy Street, Grand Prairie, TX 75050	<b>Prepared by:</b> Helen Stroh

## RESEARCH AND DEVELOPMENT

- Description of R & D organization
  - Strategy
  - Key Personnel
  - Major Activities
- New Product Pipeline
  - Status and Timing
  - Cost of Development
  - Critical Technology Necessary for Implementation
  - Risks.

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## **Investment Due Diligence**

Determine if the venture capital fund or other investors will invest in your business using [investment due diligence](#). It gathers crucial information about potential investees to make a well-informed decision before the execution of the contracts and transactions. Plus, this process can lead to less risk during the investment and establish a sustainable relationship between the investor and entrepreneur.



Bee Boss Inc.  
8134 6th Street, Arlington, TX 76011  
beebossinc@email.com | 222 555 7777

# INVESTMENT DUE DILIGENCE

<b>To:</b> Nice Fr. Group	<b>Date Prepared:</b> September 7, 2055
<b>Address:</b> 460 Lantern Street, Tyler, TX 75703	<b>Prepared by:</b> Mike Boyce

## DRIVERS

- External
  - Requirement to manage operational and reputational risk
  - Investment manager adherence to increasing complex regulation and regulatory expectation
  - Manager fiduciary duties
- Internal
  - Need to preserve market reputation
  - Lack of internal resources to conduct ODD
  - Need for expertise with niche asset classes

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## **Product Due Diligence**

Dealers perform [product due diligence](#) to assess all the relevant aspects of the products and securities available to the customers. They examine the features, structure, risks, initial and ongoing costs, and impact of those prices. A customizable due diligence report template is a beneficial tool to help you outline the assessment of how current customers are using the product and their satisfaction level with the existing product.

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Walker Market Inc.

97 Wintergreen Street, Anaheim, CA 92805

walkermarketinc@email.com | 222 555 7777

## PRODUCT DUE DILIGENCE

<b>To:</b> Dome Dike Ltd.	<b>Date Prepared:</b> September 21, 2052
<b>Address:</b> 800 Harvard Dr., Los Angeles, CA 90001	<b>Prepared by:</b> Hannah Pressman

### PRODUCTS

- Major customers and applications
- Historical and projected growth rates
- Market share
- Speed and nature of technological change
- Timing of new products, product enhancements
- Cost structure and profitability





## **Company Due Diligence**

Acquiring firms undertake due diligence to examine the assets, business, and financial performance of the target company thoroughly. For instance, they assess the company's financial statements, financial projections, capital expenditure plans, inventory schedules, and other aspects. Construct a compelling [company due diligence](#) document to demonstrate the due diligence analysis process of your target company.

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## COMPANY DUE DILIGENCE



Wayne Companies

456 Sunset Avenue, San Diego, CA 30424

waynecompanies@email.com | 222 555 7777

### DUE DILIGENCE CHECKLIST

<b>To:</b> Harbor Seas, Inc.	<b>Date Prepared:</b> February 10, 2053
<b>Address:</b> 313 Horizon St., San Diego, CA 30456	<b>Prepared by:</b> Harry Johnson

The following are the required documents from Harbor Seas, Inc. as part of Wayne Companies' merger and acquisition process:

#### CORPORATE DOCUMENTS

- Articles of Incorporation
- Corporate By-laws
- Minutes of board meetings
- Detailed company profile or history

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## **Employee Due Diligence**

Create a simple [employee due diligence](#) when you collect information about a prospective employee. As an employer, it is very important to evaluate the information and background of your applicants so that you can thoroughly check if they are what they claim to be. However, you need to have discretion and a sense of fair play when conducting background checks.

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# EMPLOYEE DUE DILIGENCE



HRd Companies

1412 Callison Lane, Wilmington, Delaware 19801

hrdcompanies@email.com | 222 555 7777

## EMPLOYEE DUE DILIGENCE

To: Blue Group of Companies	Date Prepared: October 20, 2050
Address: 2837 Maud Street, Dover, Delaware 19901	Prepared by: Chase Brooks

### Management Information

#### Key Findings

The company is constantly updating their employee contracts to suit the changing policies of the company.

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## **Due Diligence Policy**

Make a basic [due diligence policy](#) checklist to guide the compliance manager while administering the due diligence process. Following this checklist is useful for analysts and managers to become knowledgeable about the assets, benefits, contracts, liabilities, and potential issues of a company. Additionally, it is used for a public or private financing transaction, a joint venture, the preparation of an audited financial statement, general risk management, and IPO.



AKA Incorporated

35 Elsie Road, Aberdeen, South Dakota 57401

akainc@email.com | 222 555 7777

## DUE DILIGENCE CHECKLIST

<b>To:</b> NKE Motors	<b>Date Prepared:</b> April 19, 2053
<b>Address:</b> 313 Horizon St., San Diego, CA 30456	<b>Prepared by:</b> Lou Parker

AKA Incorporated required the following documents from NKE Motors prior to future transactions and license to operate.

### CORPORATE DOCUMENTS

- Articles of Incorporation
- Corporate By-laws
- Minutes of board meetings
- Detailed company profile or history

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## **Operational Due Diligence**

Often requested by the bank or other financier who supports the acquisition, operational due diligence is an iterative process of formulating and testing the business model and operations of the target company. Write an [operational due diligence](#) document to help you in reviewing a target company's operational aspects during M&A. Identify risks that might appear and seek to mitigate them.



National Financial Investors

4507 Mulberry Avenue, Little Rock, Arkansas 72211

[nationalfininv@email.com](mailto:nationalfininv@email.com) | 222 555 7777

# OPERATIONAL DUE DILIGENCE

<b>To:</b> ABC Company	<b>Date Prepared:</b> February 10, 2050
<b>Address:</b> 182 Mulberry Avenue, Damascus, Arkansas 72039	<b>Prepared by:</b> Thomas Lincoln

These documents are hereby furnished to the requesting company upon their request for business investment purposes.

## GENERAL INFORMATION

- Articles of Incorporation
- Corporate Bylaws and the Latest Amendments
- Updated Minute Book
- Certificate of Good Standing
- List of Jurisdiction Where the Company May Perform Business
- Documents Relating to Restructuring or Reincorporation
- Operational Business Plans

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## **Customer Due Diligence**

Financial institutions use [customer due diligence](#) when collecting and examining relevant information about an existing customer or potential customer. The information analyzed during this process is sourced from the customers, published sanctions lists, public data sources and private data sources. It uncovers any possible risk to the financial institution performing business with other parties and verifies the identity of the customer.



Flare House Inc.

796 Green Hill Street, Garden Grove, CA 92840

flarehouseinc@email.com | 222 555 7777

# CUSTOMER DUE DILIGENCE

<b>To:</b> Nut Cha Corp.	<b>Date Prepared:</b> September 21, 2050
<b>Address:</b> 97 Wintergreen Street, Anaheim, CA 92805	<b>Prepared by:</b> Kim Fetch

This due diligence shows the complete comprehensive analysis before its execution.

## PRE MERGER AND ACQUISITION DEAL

- Here acquirer has not made M & A Decision. Two steps were involved here:
  - M & A Strategy: Corporate-wide strategy is drafted by reviewing portfolio.
  - Target Screening: Choose from portfolios and select a few companies.

## POST ANNOUNCEMENT M & A DEAL

- Two steps were involved in the Post Announcement process:

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## **Intuitive Due Diligence**

Prepare an [intuitive due diligence](#) document when you conduct due diligence on your target company. Indicate the basic information of your business and the target firm. Mention the corporate documents required such as the records of stocks, options, warrant issuances, and documentation of past and present agreements and rights of shareholders.

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TPN Corporation

730 Del Dew Drive, Washington, Maryland 20024

tpncorporation@email.com | 222 555 7777

## DUE DILIGENCE CHECKLIST

To: Cross Lanes, Ltd.	Date Prepared: June 10, 2051
Address: 587 Summer Park, Southfield, MI 48075	Prepared by: Rowan Tyler

The following are the required documents from Cross Lanes, Ltd. before TPN Corporation conducts transactions with the company.

### CORPORATE DOCUMENTS

- Articles of Incorporation
- Documents regarding reincorporation or restructuring
- Corporate By-laws
- Records of stocks, options, and warrant issuances
- Documentation of past and present shareholders' agreements, rights, and other matters relating to ownership



## **Due Diligence Uses, Purpose, Importance**

A due diligence is an important document that captures the extensive findings of the diligence process. Prospective buyers use this tool to cross-examine at their potential investments. What are the common uses, purposes, and importance of due diligences?

### **Provides Business Financial and Operational Details**

Due diligence documents provide crucial information regarding the finances and operations of the business. It gives accurate and genuine details of the target company's financials. Also, it clarifies the day-to-day operations of the business to the prospective investors.

### **Educates Companies Undertaking Merger or Acquisition**

An all-inclusive due diligence report allows companies to be educated and informed in a business arrangement, transaction, or any other contract and plans. Prospective buyers need to know all sides of the story or the core aspects of their target company for successful M&A. With appropriate due diligence, the investors are provided with a guarantee of what they are getting.

### **Guides Buyers and Sellers Make Informed Decisions**

It is used to guide buyers and sellers in making informed and worthwhile decisions. They can identify and evaluate the assets, liabilities, and possible risks in the target company. This document enables the buyers to check the accuracy and validity of the financial, commercial, and legal aspects of the company.

### **Increases the Success Rate of the Business Deal**

Due diligence is an integral part of the M&A planning process as it unravels major issues or assets that need to be resolved. It helps the buyers to mitigate risks and address the pitfalls of the transaction properly before the business deal closes. Thus, it is beneficial to clearly understand all the details about the company.

### **Detects Strengths and Weaknesses**

Many companies have flaws that need to be detected early on prior the agreement. A due diligence is an essential process to determine which areas of the target company have high and low performances. Before you acquire a company or make a deal with the other party, detect their strengths and weaknesses.

## **What's in a Due Diligence? Parts?**

### **Financial Details of the Company**

Create a simple list or table of the core financial details of the company or organization. Include information from the balance sheets, income statements, annual reports, profit/loss records,

loans and debts, tax returns, future forecasts and projections, stock history, and other financial documents.

## **Employee Information**

Indicate the information of the key people involved in the company and their work experiences such as HR and employees. Add some information about retired employees who made significant contributions to the company.

## **Assets**

Define anything that has current or future economic value to the company. Some examples of assets are inventory, investments, intellectual property (IP), patents, and PPE (Property, Plant, and Equipment).

## **Business Partners, Suppliers, and Customers**

Describe the different parties of the business firm's supply chain. Explain their relationships with their business partners, suppliers, and customers.

## **Company Legal Information**

Inspect the legal aspects of the target company for M&A. Detail the crucial legal information of the company which includes existing contracts, partnership agreements, tax compliance, any past or outstanding lawsuits, licensing, and permits.

## **How To Design A Due Diligence?**

1. Select a [Due Diligence Size](#)
2. Consider the purpose of your due diligence
3. Choose the [Due Diligence Template](#)
4. Outline the financial, legal, commercial, and tax information of the company
5. Develop a comprehensive analysis of the company's major assets and liabilities
6. Check, revise, and finalize your due diligence report

## **Due Diligence vs. Assessment**

A due diligence is an investigative process undertaken by an individual investor or a prospective buyer to review or audit the assets and liabilities of a target business or organization and to confirm facts or information prior entering into an M&A agreement and contract signing.

An assessment is a systematic evaluation or comprehensive appraisal of a person, business, group, product, or service, allowing decision-makers to have logical judgment concerning the performance or quality of someone or something.

## What's The Difference Between Due Diligence, Notes, and Statement?

Due diligence is an analytical tool used by individual investors or prospective buyers to conduct risk and compliance check to their target companies or organizations and to make sure that the details of a transaction are legal.

Notes are legal documents used to represent loans an issuer made to a creditor or a business investor and some of them are used for investment purposes like mortgage-backed note.

A statement is a financial report that demonstrates the financial activities, performance and plans of a business, allowing lenders and investors to examine a business' financial condition and earnings potential.

## Due Diligence Sizes

Due diligence documents have different standard sizes and formats. The due diligence size and format are based on the use and purpose of the business, company, or organization.

Format	Size in Inches	Size in Centimeters	Size in Millimeters
Letter	8.5 x 11	21.59 x 27.94	215.9 x 279.4
Legal	8.5 x 14	21.6 x 35.6	216 x 356
A4	8.26 x 11.69	21 x 29.7	210 x 297

## Due Diligence Ideas & Examples

There is a variety of unique ways that you can do in creating due diligence. Template.net offers more [due diligence ideas](#) and design inspiration that you can easily use for preparing this document.

- Outsourcing Due Diligence Ideas and Examples
- Commercial Due Diligence Ideas and Examples
- Kitchen Due Diligence Ideas and Examples
- M&A Due Diligence Report Ideas and Examples
- Project Due Diligence Ideas and Examples
- Contract Due Diligence Ideas and Examples
- Legal Due Diligence List Ideas and Examples
- Financial Due Diligence Ideas and Examples

- Real Estate Due Diligence Ideas and Examples
- Technology Due Diligence Ideas and Examples

## **FAQs**

### **What does due diligence include?**

A due diligence document includes in-depth analyses and reviews of financial statements, sales figures, shareholder structure, and other economic, legal, and fiscal conditions of a business or an individual.

### **When should due diligence be carried out?**

Due diligence should be carried out after the buyer and seller made an agreement, but before the official merger or acquisition contract is signed.

### **Why do we have due diligence?**

We have due diligence because it is used to conduct a systematic audit, investigation, and risk and compliance review to companies of their financial records prior to the proposed acquisition or merger with another company.

### **Who can conduct due diligence?**

Broker-dealers, fund managers, equity research firms, individual investors, risk and compliance analysts, and companies that consider possible acquisitions or buyers are the ones who can conduct due diligence.

### **What are due diligence documents?**

Due diligence documents are crucial tools for the comprehensive research and detailed analysis of various aspects in a company or an organization such as legal, financial, sales, and marketing before a potential corporate merger, acquisition or purchase of securities takes place.

### **What is a due diligence checklist?**

A due diligence checklist is a type of checklist that investigates a target company to buy through sale, merger, or acquisition.

### **How do you conduct due diligence in a company?**

To conduct due diligence in a company, it is important that you evaluate the project goals carefully, examine business financial records, inspect the documents thoroughly, develop a well-structured business plan and model analysis, set a final offering, and perform risk management.



## **What are the key roles in due diligence?**

The key roles in due diligence are to help buyers and sellers make smart decisions in M&A through validating the accuracy of the presented information and ensuring that the transaction complies with the established criteria in the purchase agreement, and to increase the chances of a successful deal through revealing major issues or assets that should be addressed.

## **Which framework is used for due diligence?**

The FITME framework is used for due diligence to guide companies when they analyze options and develop the M&A strategy suitable for them .

## **What are the due diligence requirements?**

The due diligence requirements are completing and submitting the Form 8867, ensuring that any claimed advantage is based on facts, asking the taxpayer the appropriate questions, and keeping financial records for three years.