

CHECKLIST:

Diligence Items Requested



The Naked Accountant

By Alastair Barlow

M&A at [Ascendant](#); Co-Founder of [flinder](#), [Stealth](#), and [The Naked Accountant](#)

I sold and exited flinder in 2024. Here's a list of some of the items potential buyers requested during diligence.

If you're preparing to go to market, use this list for data room prep and gap analysis so you can have everything together when a buyer comes along. Review it quarterly to make sure everything is up to date.

Financial

Ensure the firm's financial health is fully documented – so buyers can verify revenue quality, profit margins, and net-working capital needs.

Audited or accountant-prepared financial statements – last 3 years (balance sheet, P&L, cash-flow)

Year-to-date management accounts and 36 months of monthly management accounts – monthly performance reports

Detailed P&L by service line – profitability of each department or service

Aged A/R & A/P reports – outstanding receivables and payables, by ageing bucket

Work-in-progress & deferred-revenue schedules – unbilled work and advance client payments

Working capital schedule / roll-forward – cash, A/R, A/P, WIP, and target net working capital

Capex history & forecast – major past investments and planned future spend

Revenue & Clients

Give buyers insight into client stickiness, concentration risk, and near-term growth potential.

Complete client list with key metrics – name, sector, engagement start, services, annual fees, billing model

Top client concentration analysis – top 10 or 20 clients as % of revenue

Recurring revenue and retention metrics – MRR/ARR, churn, new-client acquisition trends

Current sales pipeline – prospects, deal values, close probabilities

Standard engagement letters and client contracts – renewal and termination terms verified

Client tenure and cross-service usage – longevity and upsell potential indicators

Tax

Confirm full compliance and surface any hidden tax liabilities.

Corporation-tax returns (CT600) – past 3 years with payment confirmations

VAT returns and reconciliations – full filing history

PAYE/NIC payroll filings – P35/P60 summaries

R&D or other tax credit documentation – claim details and HMRC responses

Significant HMRC correspondence – enquiries, disputes, outcomes

Tax contingency reserves – provisions for potential liabilities

Legal & Corporate

Verify ownership structure, material contracts, and outstanding liabilities.

Corporate formation documents – Articles of Association, Certificate of Incorporation, shareholders' agreement

Current share register or cap table – ownership percentages and any options

Board minutes and shareholder resolutions – governance of major decisions

Office lease or property deeds – terms, break clauses, inclusion in sale

Equipment leases, loans, and debt agreements – outstanding obligations

Insurance policies and claims history – professional indemnity, liability, office cover

Litigation and disputes – pending or past cases with outcomes

Intellectual-property ownership – trademarks, software, domains, contractor assignments

HR & Payroll

Assess team continuity, contractual compliance, and employment liabilities.

Employee summary – roles, start dates, pay, bonuses, notice periods, qualifications

Current org chart – reporting lines and key-person dependencies

Signed employment or service contracts – restrictive covenants included

HR & Payroll cont'd

Employee handbook and HR policies – disciplinary, grievance, equality, etc.

Payroll summaries and PAYE records – recent pay cycles verified

Bonus, commission, and share/option schemes – terms and outstanding grants

Accrued holiday and benefits schedule – pensions, health cover, other perks

TUPE readiness pack – employee data and consultation notes for asset sale

Operations & Technology

Demonstrate scalable processes, secure systems, and operational resilience.

Standard operating procedures – documented workflows from onboarding to delivery

Technology stack list – core software, licences, renewal terms, cancellation periods

IT infrastructure inventory – hardware, leases, BYOD policies

Cyber security measures – certifications (ISO 27001, Cyber Essentials) and audit reports

Business continuity and disaster recovery plan – backup, failover, emergency procedures

Sample KPI dashboards – performance, productivity, client satisfaction metrics

Regulatory & Compliance

Provide evidence the practice meets professional and data protection standards.

Practice certificates and audit registrations – ICAEW/ACCA numbers, audit licences

AML policy and latest review results – risk assessment and remedial actions

Quality assurance or monitoring visit reports – findings and responses

Professional Indemnity Insurance schedule – coverage limits, renewal date

GDPR documentation – privacy notice, data processing policies, staff training records

Additional licences or certifications – DPB licence, Investors in People, etc.

Commercial & Strategy

Support valuation assumptions and show competitive positioning.

CIM - Confidential Information Memorandum
12–36-month business plan – with supporting assumptions

Market research or competitive analysis decks – target segments, rivals, positioning

Service pricing models – rate cards and value pricing approaches

Profitability analysis – margins by service line or client segment

Sales and marketing-funnel metrics – leads, conversion rates, LTV, CAC, payback period

Referral and partnership agreements – terms and fee structures

Brand and marketing assets – website traffic, subscriber counts, collateral

Integration Readiness

Outline plans for a smooth transition and rapid integration.

Org chart highlighting critical roles – retention priorities
Founder/partner transition plan – duration, responsibilities, handover scope

Draft client-communication announcement – sale notification and reassurance

Internal transition checklist – IT, branding, data-transfer steps

Day-1 readiness notes – quick wins, potential challenges, system merges

Cultural integration considerations – values, rituals, meeting cadence

Post-Sale Considerations

Plan for deferred obligations and life after closing.

Clawback or earn-out provisions – retention support strategies

Non-compete and non-solicitation terms – scope and duration

Run-off professional indemnity insurance – coverage period and budget

Handover commitments – client introductions and query support timeline

Personal post-exit plan – investment, tax planning, next career or retirement steps



The Naked Accountant

**Subscribe to The Naked
Accountant Newsletter**