

# Financial Due Diligence Checklist

Historical Period - Current Year Unaudited (April 17 to Date) and last 3 years audited

SR. NO	PARTICULARS
<b><u>A. GENERAL INFORMATION</u></b>	
1	<b>Business Presentation</b>
2	<b>Description / details on the following:</b> <ol style="list-style-type: none"> <li>a. Detailed description of the Company and its Business Model</li> <li>b. Revenue Streams (current as well as future revenue streams, include description of all revenue streams to be captured )</li> <li>c. Areas of Focus – Target Customer types (include segmentation undertaken based on size, needs or other criteria)</li> <li>d. Detailed description of the product offerings provided, including breakup of margin % earned on each product offered</li> <li>e. List of all existing and under development products and services.</li> <li>f. List of large customers (cumulatively accounting for at least 50% of current revenues) and their product usage patterns (over the past 12 months)</li> <li>g. List of Key Vendors and Partners and a brief on transactions with these parties</li> <li>h. List of Competitors in India and globally</li> <li>i. Description or copy of company's purchasing policy, credit policy</li> <li>j. All surveys and market research reports, done by the company (For E.g. Weblinks of articles and press releases etc)</li> <li>k. Problems / Challenges faced by the management of the Company in running the business, restricting the growth and possible solutions to it.</li> </ol>
3	Certificate of Incorporation, MOA and AOA.
4	Growth of team since inception along with areas of work and list of key resources / employees, including: <ol style="list-style-type: none"> <li>a. Org chart indicating breakdown of employees by key departments/teams</li> <li>b. Indication of departments/teams where additional employees will be hired in the coming few months, and the nature of talent being hired</li> </ol>
5	Details on Intellectual Property developed by the Company and documents pertaining to registration of Intellectual Property
6	Audited Financial statements for Target Company for the Historical Period along with groupings, supporting schedules and trial balances and Unaudited Financials for the current year under review. Also provide Company Auditor Report Order (CARO Report ), Cashflow and Report on Internal Financial Controls for the said period.
6	MIS prepared, key KPI's for the Historical Period. ( Customer Acquisition cost, Life Time Value, Productwise bifurcation, No of bookings and customers, Average cost)
7	Reconciliation of the management accounts to the audited financial statements for the Historical Period.
8	Accounting Data for the Historical Period. (Tally Backup / Quickbooks login / Xero.com Login or any other accounting software used for the historical period)
9	Internal Audit Reports (if any)

- 10 Management letters issued by the auditors during the historical period
- 12 Current Shareholding Pattern
- 13 Investment Agreements executed by the Company since inception, if any
- 14 List of Sister concerns / holding and subsidiaries along with ROC Master data
- 15 Copy of PAN, TAN, Registration Certificates of VAT, Service Tax, GST, Excise, PF, ESIC, PT, Shop and Establishments for all premises used, IEC code, and any other registration certificate as applicable to the company

## **B. PROFIT AND LOSS ACCOUNT**

### **Revenues**

- 1 Detailed monthly revenue trend of the Historical Period for each revenue line along with key drivers of revenue.
- 2
  - a. Nature of Agreement with all Partners/ Mentors/ Customers, i.e. one time, periodically, subscription based etc with mapping of revenues against each of the customers.
  - b. Breakdown of historical customer revenues by length of contract i.e. split between less than 3 months, less than 6 months, less than 9 months, and less than 12 months
  - c. Breakdown % of existing customers taking on additional products/ Repeat orders on a monthly basis, for the last 12 months
  - d. New customer acquisition - % split between those taking on single product vs multiple products on a monthly basis, for the last 12 months
  - e. Provide Sample invoice raised and major contracts by the company on various parties, provide different bills having different components/ services which are provided by the company. Note on the process of billing and computation of commission income on a sample basis
- On monthly basis provide the following:
  - Number of registered online users
  - Number of online visitors and hits per day on the website by unique users
  - Conversion ratio of visitors into customers
  - Number of applications per day per user
  - Number of cases processed and turn around time for order fulfilment
- 3
  - a. Details of customer benefit policies impacting the revenue of the Company, i.e. special discounts, any other terms / conditions
  - b. Breakdown of churn data – one time customers, that did not come back to us after placing 1st order also provide list of such customers

### **Employee Cost**

- 4
  - a. Provide salary register. Reconciliation between salary register and GL. Copies of appointment letter / non compete agreement, details of bonus, incentives, performance matrix for sample employees
  - b. Details of contract labour (payment, aggregate workers, compliance to any law, deployment). (if, any)
  - c. Details of compensation and ESOPs to the promoters and key management team.
  - d. Salary advance policy if any

### **Rent**

5

- a Details of offices along with rent / lease agreements, purpose of office i.e. Registered Office / Corporate Office / Branch / Sales Office
- b Details of operating leases and finance leases entered into by the entity in the historical period with details of leased property, area, lease rentals, lease period and lease escalation and termination clauses.

6 **Professional fees**

- a A List of law firms, accounting firms, consulting firms and similar professionals or experts engaged by the company detailing service availed and amount paid for it . Also provide contract for the same.
- b Invoices for the sample cases

7 **Marketing / Business promotion Expenses**

- a Monthly trend in marketing costs along with description on how marketing costs are helping in acquisition of customers
- b Breakdown of sales expenditure (between customer acquisition & customer support) on a monthly basis, for the last 12 months
- c Breakdown of customer onboarding costs incurred on a monthly basis, for the last 12 months
- d Marketing expense budget of the company. Also to provide budget v/s actuals for the same.

8 **Technology cost**

- Details of technology costs incurred by the company during the historical period, including
  - a. Cost of equipment, servers, service contracts etc.
  - b. Cost of building up of App and website / domain
  - c. cost of web storage space / online tools used

9 **Other expenses**

- a Details of customer compensations / claims paid and disputed during the historical period, if any; include all instances of rebates/discounts given due to product downtime or support issues.
- b Discount policy of the company for bulk orders
- c Details of exceptional, prior period or non-recurring items of income and expenditure.
- d Invoices for the sample cases
- e Any other agreements with vendors (i.e. payment gateways, marketing agencies, bankers, investors, etc)

**C. BALANCE SHEET**

1 **Fixed assets**

- a Fixed asset register as on 31st march [PY] and till date
- b Listing of assets (property and equipment) acquired on lease and lease agreements. Note on lease accounting.

- c Details of charges or lien created against any fixed assets through guarantees or loan arrangements.
- d Details of any intangible assets( also inhouse development expenses) and any expenses capitalized during the historical period

## 2 **Receivables and advances**

- a Details of Debtors/advances given, ageing of accounts and expected realisation and details internal system follow up. Confirmations for over and above Rs.1lakhs
- b Details of Advances/ Deposits given, Description/ Nature of the advances given for.
- c Details of Bad debts or provision for bad debts
- d Details of credit period given to debtors

## 3 **Cash and bank**

- a Details of all the bank accounts, bank statements (in PDF only/ authorized by bank) till date. Bank loan statements and sanction letters, if any
- b Details of Bank overdraft/ Term loans and Term deposits in tabulated form having date of deposit and maturity, interest etc.
- c Monthly bank reconciliation statement for all the banks.
- d Credit card statement and credit policy

## 4 **Current liabilities and provisions**

- a Details of Creditors/advances taken, ageing of accounts and expected realisation and details internal system follow up. Confirmations for over and above Rs.1lakhs
- b Details of Deposit received from Customers/ parties. Nature of the same.
- c Details of leave pay and retirement benefit accruals.(provide actuary report for gratuity,if any)
- d Any other payables or o/s govt. dues

## 5 **Borrowings and debts**

- a Schedule of borrowings (secured and unsecured) segregated into short term and long term debt indicating lender, limit, drawdown to date, repayment terms, interest rates, security etc. Details of default in repayment of loans and interest, if any.
- b Copies of loan agreements / santion letters
- c Repayment schedules, as currently applicable for each of the loan account indicating principal and interest details.
- d Computation of provision for interest as for outstanding loans as at [.]
- e Purpose for which loan is taken and utilized.

## 6 **Investments**

- a Details of Investment other than Term deposits made by company
- b External confirmations for the same

7 **Related party transactions**

- a A list of related and affiliated entities, specifying the extent and nature of the relationship with such entities and their management.
- b Provide details of transactions with each related party during the financial year
- c Details of any exposures on account of related parties like guarantees, asset security etc, if any.

8 **Shareholding**

- a Details of shareholding at the time of inception, current shareholding pattern and post investment shareholding
- b ESOP policy/ trust, and list of ESOPs given to employees granting date, vesting period in tabulated form

9 **Direct Taxes**

- a Computation for PY and current Year, income tax returns & acknowledgements and notices received from income tax depts, if any  
26As form for the past three years
- b Details of TDS deducted and paid. (i) Acknowledgments copies of TDS returns, (ii) challans (iii) workings for all the quarters, (iv) reconciliation with the books of accounts and (v) notices received from the dept., if any
- c Deferred tax workings , Mat workings, Amt workings for the previous audited financial year, if any
- d Tax Audit reports for period of review
- e 15CA/ CB forms for non domestic transactions

10 **Indirect Taxes**

a **VAT**

Details of (i) vat workings, (ii) vat returns, (iii) challans (iv) reconciliation with books of accounts and (v) notices received from dept, if any

b **Service tax**

Details of (i) Service tax workings, (ii) Service tax returns, (iii) challans (iv) reconciliation with books of accounts and (v) notices received from dept, if any

c **GST**

Details of (i) GST workings, (ii) GST returns, (iii) challans (iv) reconciliation with books of accounts and (v) notices received from dept, if any

d **ESIC (applicable on if more than 10 employees and having wages less than Rs. 21,000/-)**

Details of (i) ESIC workings, (ii) ESIC registers and returns, (iii) challans (iv) reconciliation with books of accounts and (v) notices received from dept, if any

e **PF ( applicable if 10 or more employees drawing salary less than Rs. 15,000)**

Details of (i) PFworkings, (ii) PFregisters and returns, (iii) challans (iv) reconciliation with books of accounts and (v) notices received from dept, if any

f **PT (applicable for all the employees including director and company- state wise applicability)**

Details of (i) PT workings, (ii) PT registers and returns, (iii) challans (iv) reconciliation with books of accounts and (v) notices received from dept, if any

g **Equilization levy ( payment fo 6% taxes on advertisement above Rs. 1,00,000 in non domestic transactions)**

Details of parties and amount paid, workings and challans