# Business Due Diligence Document

**Business Name :**

**Owners :**

**Address Line 1 :**

**Address Line 2 :**

**City, State ZIP Code :**

**Telephone/Mobile :**

**E-Mail :**

**Website:**

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### 

### Problem Statement

## **1.** **Write down your problem statement in two lines (what problems your startup is going to solve)**

**<< >>**

***Example of Netflix problem statement for your reference –***

***“Going to the video store is a pain. People don’t like traveling back and forth just to rent a movie and they hate paying late fees even more.”***

**2.** **Who does it affect? (write down the people or the entities that are affected by the problem)**

**<< >>**

**3.** **Your proposed solution to the above-mentioned problem in two to three lines**

**<< >>**

1. **Is there any other alternative product/ services which is addressing the same problem?**

**<< >>**

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### Mission, Goals and Business Philosophy

**Mission Statement**:

**Company’s Short Term Goals and Objectives** (for next 6 to 12 months)

**Company’s Long Term Goals and Objectives** (for next 5 to 8 Years)

**Describe your industry**:

**Describe your most important strengths and core competencies of your Startup Product/Service:**

### Products and Services

Describe your products or services (technical specifications, drawings, photos, sales brochures, and other bulky items belong in *Appendices*).

What factors will give you competitive advantages or disadvantages? Examples include level of quality or unique or proprietary features.

What are the pricing, fee, or leasing structures of your products or services?

<< details about your product >>

**Features and Benefits**

List all of your major products or services.

For each product or service:

* Describe the most important features. What is special about it?
* Describe the benefits. That is, what will the product do for the customer?

### Market and Industry Research

##### Market research – How are you planning to do it?

<< Research Strategy in brief >>

##### Industry Research

Find out facts and figures about your target industry/market:

* What is the total size of your market?
* What percent share of the market will you have? (This is important only if you think you will be a major factor in the market.)
* Current demand in target market
* Trends in target market—growth trends, trends in consumer preferences, and trends in product development.
* Growth potential and opportunity for a business of your size.
* What barriers to entry do you face in entering this market with your new company? Some typical barriers are:
  + High capital costs
  + High production costs
  + High marketing costs
  + Consumer acceptance and brand recognition
  + Training and skills
  + Unique technology and patents
  + Unions
  + Shipping costs
  + Tariff barriers and quotas
* And of course, how will you overcome the barriers? Your strategy -

##### Customers

Identify your targeted customers, their characteristics, and their geographic locations, otherwise known as their demographics.

You may have more than one customer group. Identify the most important groups. Then, for each customer group, construct what is called a demographic profile:

* Age
* Gender
* Location
* Income level
* Social class and occupation
* Education

For business customers, the demographic factors might be:

* Industry (or portion of an industry)
* Location
* Size of firm
* Quality, technology, and price preferences

##### Competition

What products and companies will compete with you?

List your major competitors:

(Names and addresses)

Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

Will you have important indirect competitors? (For example, video rental stores compete with theaters, although they are different types of businesses.)

How will your products or services compare with the competition?

Use the Competitive Analysis table below to compare your company with your two most important competitors. In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors.

**Competitive Analysis**

| **Factor** | **Your Startup** | **Competitor A** | **Competitor B** | **Competitor C** |
| --- | --- | --- | --- | --- |
| **Products** |  |  |  |  |
| **Price** |  |  |  |  |
| **Quality** |  |  |  |  |
| **Services** |  |  |  |  |
| **Reliability** |  |  |  |  |
| **Stability** |  |  |  |  |
| **Expertise** |  |  |  |  |
| **Company Reputation** |  |  |  |  |
| **Location** |  |  |  |  |
| **Sales Method** |  |  |  |  |
| **Advertising Method** |  |  |  |  |

##### Distribution Channel

**Distribution Channels**

How do you sell your products or services?

Retail or wholesale

Direct (mail order, Web, catalog)

Your own sales force

Agents

Independent representatives

##### Sales Forecast

Now that you have described your products, services, customers, markets, and marketing plans in detail, it’s time to attach some numbers to your plan.

The forecast should be based on your historical sales, the marketing strategies that you have just described, your market research, and industry data, if available.

You may want to do two forecasts for next 6 to 12 months (after the product launch)

1) a "best guess", which is what you really expect, and

2) a "worst case" low estimate that you are confident you can reach no matter what happens.

aaaRemember to keep notes on your research and your assumptions as you build this sales forecast and all subsequent spreadsheets in the plan.

### Startup Expenses and Capitalization

You will have many startup expenses before you even begin operating your business. It’s important to estimate these expenses accurately and then to plan where you will get sufficient capital. Mention the details of your expenses here.

### Financial Plan

The financial plan consists of a 12-month profit and loss projection, a four-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of your company's financial future. More important, the processof thinking through the financial plan will improve your insight into the inner financial workings of your company.

##### 12-Month Profit and Loss Projection

Many business owners think of the 12-months profit & loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your sales projections will come from a sales forecast in which you forecast sales, cost of goods sold, expenses, and profit month-by-month for one year.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate company income and expenses.

##### Four-Year Profit Projection (Optional)

The 12-month projection is the heart of your financial plan. The Four-Year Profit Projection is for those who want to carry their forecasts beyond the first year.

##### Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan. But foremost, you shouldn’t be taken by surprise.

And of course, depreciation does not appear in the cash flow at all because you never write a check for it.

##### Opening Day Balance Sheet

A balance sheet is one of the fundamental financial reports that any business needs for reporting and financial management. A balance sheet shows what items of value are held by the company (assets), and what its debts are (liabilities). When liabilities are subtracted from assets, the remainder is owners’ equity.