

## Are You Properly Executing Due Diligence In Your Business Activities?

Poring over due diligence checklists for every conceivable commercial activity is a necessity for those thinking of merging or purchasing businesses. They need a due diligence checklist to enable better and secured operations for their intended business activity.

Of the many different situations that arise when two companies move towards a merger or purchase, one of the most important yet most neglected is that of human interaction. All too often, this aspect is neglected, yet the success or failure of the merger is heavily dependent on this very factor. To take care of the human resource aspect of mergers, there are due diligence checklists that address the issue. The salient points that need reviewing are the organization of the company recruitment, contracts of employees, training and development, pay, pensions and benefits, performance and quality management, working time, equal treatment, etc.

This checklist structurally approaches the problem and helps HR people look at domestic or international acquisitions, evaluate international personnel policies and enables first time HR entrants to use a due diligence checklist to get oriented to the new situation.

Besides Human Resource checklists, there are checklists for the company as a whole. So what do these due diligence checklists really have in them? Due diligence checklists are not confined to one particular area within a company; a due diligence checklist should have some or all of the following items listed below:

How is the company organized?

What is the organizational structure of the company and does it list the officers and directors of the company as well as specify their duties?

Who owns and controls the company?

Is information readily available as to how the company is capitalized, including capital stock outstanding, options, warrants, related instruments and convertible securities?

What assets does the company own and how does it operate?

What is the performance of the company in financial terms and does it cover at least three previous fiscal years? In addition, the interim position of the company for the past year should analyze the product sales and their cost to the company and help evaluate the value of assets being sold by the company.

What Intellectual Property rights does the Company have?

Does the company own or use any trademarks, trade names, hold patents or own copyrights? Or does it have any liens against it or is it party to any restrictions that affect any of the aforementioned trademarks, trade names, patents or copyrights?

Are there any reports relating to the company?

Has the company furnished copies of reports, studies, appraisals or memorandums about competition, pricing, product development or any other related issue?

Complies with the laws

The company should comply with all applicable laws and have copies of licenses, permits, certificates, authorizations, approvals and exemptions etc.

Not a polluter or other environmental hazard

Does it own, lease or operate any property or facilities and has it obtained clearance certificates from environmental authorities that have inspected these facilities and/or premises?

Is it involved in court cases or other legal problems?

Has it provided lists pertaining to litigations, arbitrations or government proceedings that relate to the company? Has it furnished details regarding adjudications or settlements over the preceding ten years to which it was a party?

What are the completed works and contracts the company is engaged in?

Does the company provide information regarding projects it has completed in the past ten years or has the company, in the recent past, changed its organizational structure? Has it merged or acquired or bought significant assets?

What details does it furnish regarding employees, benefits and contracts?

Has the company furnished copies of its plans regarding employee benefits and does it reveal what are the guidelines governing termination of employees and how does it compensate them?

Tax return documents

Detailed documentation pertaining to tax returns filed for the past three closed tax years as well as all pending taxes should be reviewed.

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