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understand what to include in your due diligence report. Why Do You Need to Make a Report? A due diligence report captures the findings of the due diligence process. In turn, it allows investors to have a clearer understanding of the investigated firm. A complete and well-written report supplements the decision-making process for investors and businesses considering finalizing deals and contracts. Additionally, it substantiates forecasts for the target company's future and lifespan. Take businesses 'A' and 'B' for example. Business 'A' has done its financial due diligence and its report. On the other hand, business 'B' has not completed any due diligence or a report. Assume that both businesses require loans from the bank. Business 'A' can refer to their due diligence report and precisely predict how long it will take to repay the loan. They can more accurately discern what to do with the loan to yield the most effective and efficient results. Business 'B', on the other hand, can only make loose assumptions and estimations. Without background knowledge, these assumptions and estimations are more likely to be incorrect. Virtually every essential detail of the process should be included in the report. Exact details typically vary depending on the type of due diligence, the investment, and the deal at hand. Nonetheless, listed are some core items that should be included in the report: Information on the company's finances. This section includes financial statements or financial records for past years, tax returns, and documents from accounts receivable. If there is no separate section for loans and debts, then they should also be included here. Information about the company's employees. This section captures details about individuals in key company roles, including their work histories and responsibilities. It may also include records of former and retired employees and their associated pension information. Information on the company's assets. This section includes documentation on the company's different facilities, machinery, and intangible assets such as intellectual property or copyrights. Information on partners, suppliers, and customers. These details are more focused on the different parties in the firm's supply chain and their relationships with them. Legal information about the company. This refers to items such as historical and outstanding lawsuits, contracts, licensing, and permits. How to Write a Due Diligence Report Writing a due diligence report may seem as intimidating as the research portion of the investigation, but if you stay organized it shouldn't be as daunting. The following considerations will keep you on track when drafting a report, but remember, no two will be exactly the same: Don't include everything. There is certainly a temptation to include all of the information the diligence team has gathered; however, this is a nearly impossible task—and it's also a waste of time, as the executives won't have the time or patience to sift through an excessively lengthy report. Focus on your company's objectives (why is it engaging in M&A?) and align the content with the report's purpose. Know your audience. Building off the previous point, you must keep your target audience at the forefront of your mind when writing. Most likely, it will be your CEO, or perhaps your CFO, reading the report; he/she is very busy and will only want to read information relevant to making a sound decision on the deal. Again, aiming to be clear and concise will help your audience work through the report with ease and absorb the critical information. This being said, you might consider including an "Executive Summary" section in your report for additional C-suite level executives (or members of the board of directors) to utilize if they do not have time to digest the full report. Use a due diligence report template. Clearly, one of the best tips or strategies for writing a due diligence report is to use a due diligence sample document or a due diligence report template. While the internet is cluttered with resources related to M&A practices, it should go without saying, you will want to use a technical due diligence report template created by actual M&A practitioners (Like the one included in this blog). Reread and revise (edit, edit, edit!). As with any written work, what happens after you finish your draft is of the utmost importance. Editing will help ensure you accomplish the first two guidelines of not trying to include everything and knowing your target audience. As you revise, ask yourself if the information is related to: the operation of the company, the purchase price or purchase agreement, risks (with the company's operations, legal standing, or retention of key personnel), and critical financial information and financial statements. A due diligence summary report ties your investigation together and helps decision-makers see the full picture. A poorly prepared or careless report risks undermining all the work completed up to this point. Here are some suggestions for a solid, investigative report: Be patient, thorough, and attentive to details. Preparing a strong report takes time and care—it's not something that can be thrown together at the last minute. To fully capture the value of your investigation, you must document your findings carefully and completely. Without a comprehensive report to reference, it's as if all the painstaking investigations and research were wasted. Don't lose focus on what's important. With that being said, make sure your writing stays aligned with the report's purpose. While the volume of information you gather may be overwhelming, focus only on what's relevant to the task at hand. For instance, if you're writing a customer due diligence report, you don't need to spend much time discussing a business's liabilities. Be concise. Avoid letting the report drag on unnecessarily. Investors likely won't have the time—or the patience—to sift through every minute detail. Overloading the report defeats its purpose: to present clear, focused insights. Ask questions. You want to believe that a seller is honest. However, it's not uncommon for them to stretch details in the confidential information memorandum (CIM). Anytime you see something that looks off, ask questions. Additionally, you should interview people who are not directly related to the transaction for a more holistic view of a firm. Seek legal assistance. Unless you're an attorney, property manager, or investment manager, you should seek legal help and advice. Doing so helps you avoid potential legal, jurisdictional, or compliance issues later on. How Much Does A Due Diligence Report Cost? With no two deals being exactly the same, costs related to diligence can vary. Many practitioners feel diligence costs should not exceed about 5% of the purchase price. When it comes to the report itself, there are functional free due diligence report templates and sample documents online. Additionally, fees for producing reports can vary depending on the industry and country. Types of Due Diligence Reports The areas of concentration for the report are dependent on what type of due diligence you are utilizing. For example, a report resulting from financial due diligence will look and have different information compared to one from customer due diligence. Likewise, a financial due diligence report created for administrative purposes will differ from those written in preparation for mergers and acquisitions. You wouldn't expect an administrative due diligence report to contain more information on customers than the administration of a business. When performing hedge fund due diligence, you would assess a reservoir of investment funds and the general partners who own it. There are as many different types of reports as types of due diligence itself. Each corresponding report type has distinguishing properties and format. Some examples include: Who Creates the Report? Due diligence summary reports are generally compiled by a company's internal due diligence team or a paid third-party group. Your team may be composed of attorneys, financial consultants, and any relevant subject matter experts. Overall, the collective expertise should encompass the various business, legal, technical, and financial matters relevant to the deal at hand. However, in smaller-scale instances, such as buying a small business, it may not require more than one or two professionals. Conducting due diligence, creating, and reviewing the report should be a team effort. Meaning, if contracting with an external party, you should not entirely outsource a due diligence report. Some information may not be meant for them. Internal employees should also be involved in the process. It's equally important to use an efficient PDF editor to ensure convenient and smooth collaboration with internal or external teams. Most importantly, you need to be certain that the individuals on your team are people whom you trust, service agreements aside. The last thing you want is to be left with a faulty investment because of a team's lackadaisical diligence. A due diligence questionnaire is a list of investigative questions sent to the selling company to gather critical information. Depending on the type and scope of due diligence, it may also be sent to their partners, suppliers, and even customers. These questionnaires should be detailed and comprehensive, prompting for relevant information that supports a full analysis of the business. Before an investment manager or potential buyer begins reviewing sensitive business information, they must sign a Letter of Intent (LOI). The LOI formally expresses interest in purchasing or investing in the company or private equity, though it is typically non-binding. Why Do You Need a Due Diligence Questionnaire? Due diligence questionnaires are a critical early step in the process, providing a structured way to gather essential information. They give the team handling the investigation an early understanding of what to expect and how to navigate the process effectively. A well-prepared questionnaire also helps focus the team's efforts, ensuring priorities are clear and resources aren't wasted on irrelevant areas. Like due diligence reports, questionnaires must be tailored to the specific nature of the investigation. For example, a buy-side due diligence questionnaire should be somewhat different from an acquisitions due diligence questionnaire. Due Diligence Questions when Buying a Business By asking the right questions, a prospective investor or buyer will be on the path to well-performed due diligence. Below are some questions to ask the seller when purchasing a firm: Why is the company being sold? This should always be asked during potential acquisitions. In some cases, the liabilities of the company are getting too much for the current owner to bear. If you uncover why the company is being sold, you can better decide if the company is still worth buying. This question may not be relevant in all circumstances. For example, investors or stock purchasers may not need to have this question answered. What are the major commodities of this company? As a potential investor or buyer, you should know what commodities generate the most income and losses for the company. This can help you pinpoint areas of improvement and where you should try to maintain prosperity. What are the major markets for these commodities? It's important to know which markets the company operates in to assess its competitive positioning. You should also understand the company's customer, client, or member base. This insight will allow you to develop better strategies and make informed decisions, always keeping the broader market landscape in mind. Are the company's revenues sufficient to sustain its operations? If not, are there opportunities to secure partnerships or sponsorships to bolster financial stability? The last thing you want is to see profits collapse just a few months after acquiring or heavily investing in a company. Is the company positioned for expansion? Is expansion even possible? After acquiring a company, you don't want it to sit stagnant. In areas where the company doesn't currently operate, you'll want to assess the potential for growth and market entry. Are there any distinguishing product features that are critical to the sales of any products? Are there any intellectual properties worth protecting? You'll need to understand what drives a company's competitive advantage and what unique company property must be secured. Are there any ongoing or suspended legal proceedings? Licenses and permits? Some companies become entangled in legal situations that are almost impossible to recover from. You don't want to acquire a firm burdened by unresolved legal issues and inherit the risks. Likewise, you need to ensure that all required licenses and permits are valid and properly maintained. Access a Due Diligence Questionnaire You can utilize a due diligence questionnaire on DealRoom's platform. Our M&A lifecycle management software includes a variety of pre-built, ready-to-use questionnaires to help teams start due diligence processes easily and without time waste. Visit our playbooks gallery to find the questionnaire you need. Frequently Asked Questions What should be included in a due diligence report? A due diligence report typically includes an overview of the target company, key findings on financials, legal compliance, operations, assets, liabilities, contracts, intellectual property, and market positioning. It also highlights risks, opportunities, and any issues that could affect the value or viability of the transaction. How do you write a due diligence report? To write a due diligence report, gather all relevant documents and data, analyze each area of the business systematically (financials, legal, operations, etc.), identify risks and discrepancies, and summarize your findings clearly. The report should end with actionable recommendations or a risk assessment to guide decision-making. Who prepares a due diligence report? A due diligence report is typically compiled by a company's internal due diligence team or a contracted third-party group. Your team may include attorneys, financial consultants, and subject matter experts relevant to the seller's business. Their combined expertise should cover the business, legal, technical, and financial aspects critical to the transaction. What is a due diligence questionnaire? A due diligence questionnaire is a standardized list of questions used to collect detailed information from a company during the due diligence process. It covers topics like corporate structure, financial performance, legal matters, contracts, employees, and regulatory compliance. Can I use a due diligence report template? Yes, you can use a due diligence report template to streamline the process and ensure all critical areas are covered. However, the template should be customized to fit the specific nature of the transaction and the risks associated with the target company. Key Takeaways A due diligence report is a detailed summary of financial, legal, operational, and market findings on a company, helping investors assess risks, opportunities, and overall deal viability. Effective reports are clear, focused, and built around verified information, using structured templates and due diligence questionnaires to streamline the process and avoid information overload. Internal teams or trusted third parties typically prepare these reports, with platforms like DealRoom enhancing collaboration, document management, and task tracking for faster, more accurate diligence. Due diligence is just as important as the deal itself and should be done as meticulously as possible. Utilizing tools, such as DealRoom's due diligence management software, helps teams complete due diligence summary reports thoroughly and accurately. With DealRoom, you can: Create a diligence task list Fulfill tasks and share critical information with team members Assign users to key diligence roles Track real-time diligence progress Securely store and manage all documents and files DealRoom is easy to use. You can populate DealRoom with your due diligence folders and create due diligence lists right inside the room, instead of sending the due diligence list separately to your clients. - Ovais A., Investment Banking Associate DealRoom is a functional due diligence software that helps streamline the process. Traditionally, you would find yourself creating folders within a software and then separately forwarding the due diligence list to clients. With DealRoom, you are able to seamlessly populate due diligence folders and create lists within the same room. Article updated · May 2, 2025 · 4 min read