Verify seller earnings

A buyer's evidence checklist

Use these questions to organize the records and unresolved issues for your financial review.

- [ ] **Match the reports**

  Confirm dates, currency, legal entity and accounting basis. Identify every business bank account and payment processor.

- [ ] **Request supporting records**

  Gather monthly financial statements and ledger detail, bank statements, settlement reports, invoices and receivable/payable schedules for matching periods.

- [ ] **Explain cash versus revenue**

  Identify loans, owner funding and internal transfers. Reconcile processor deductions, collection timing and customer advances using supporting records.

- [ ] **Test expenses and add-backs**

  Trace each proposed add-back to an expense already included in the starting earnings figure. Record the evidence, rationale and whether the cost will continue. Avoid double counting.

- [ ] **Map the owner's work**

  List the seller's duties and who will perform them after closing. Support replacement-cost estimates and check costs already included in the accounts.

- [ ] **Look across periods**

  Compare monthly results for seasonality and unusual items. Investigate changes in collections, margins and customer concentration; one month cannot establish a lasting pattern.

- [ ] **Keep unresolved items visible**

  Record the amount, missing evidence, responsible person and next question. Do not insert an unsupported adjustment to make figures agree.

- [ ] **Separate earnings from cash needs**

  Review ongoing costs, capital expenditure, working capital and financing separately. Reconciled revenue alone does not establish profit or the cash available after purchase.

Read the guide and worked example >

bankabledeal.com/seller-earnings-bank-deposits

Further reading: seller earnings and bank deposits | buying an HVAC business | IRS Publication 583: recordkeeping