Business

Due diligence and evaluation Due diligence and evaluation process required by potential investors Lot of investors, who invested majority of their savings in company shares, lost their money because of the recent share value dip. The current investors are extremely careful in taking decisions about investing in the shares of the companies because of the recent recession in economy and the total destruction of the share values. Most of the entrepreneurs collect money from the investors for the expansion process of their business through the public issue of the company shares. In order to gain the confidence of the potential investors it is necessary for the founders of the venture to prepare their company for the analysis and evaluation by potential investors. Due diligence is a term commonly associated with such evaluation process. It refers to the care a reasonable person should take before entering into an agreement or a transaction with another party. It is an investigation or audit of a potential investment. Due diligence is a way of preventing unnecessary harm to either party involved in a transaction (Due Diligence – DD, 2009)

Most of the investors will evaluate the past and present financial records of the company before taking decisions about the investment. So the entrepreneur must prepare such financial records of the company for the verification by the investors. An investor needs to be convinced about the financial capabilities of the company before taking decisions about investing. For that purpose the entrepreneur must present the financial history of the company in simple terms understandable to even a layman.

Due diligence and evaluation 2

An executive summary of the business plan is also required by the founders of the venture to convince the investors. It is only through this business plans the investor will know about how the company is going to utilize the money collected from them. The investors also must be convinced about the scope of the business and the market opportunities and hence the business plan must be well written in simple words to attract the investors.

Some investors are keen in knowing more details about the company like the assets of the company, customers, environmental issues, foreign operations, legal matters, product issue, suppliers, tax issues, and matters relating to ownership change (Due Diligence Checklists, 2009) The current Investors are extremely careful in investing in shares and hence they will investigate about all the activities of the company before investing. They will analyze the future prospects of the company based on the parameters mentioned above. They know that if the company is activities produce any environmental problems, then in future they may face problems the legal authorities. The investors know that good customers are required for the growth of a company. The reputation of the products of the company will also be analyzed by the investors before taking decisions. They will also analyze the chances of possible ownership changes through acquisition or mergers. The founders of the venture must consider all these investor interested areas and must provide all such details to the customers to take decisions about investing.

Due diligence and evaluation 3

References

1. Due Diligence – DD, (2009), Retrieved on March 6, 2009 from

2. Due Diligence Checklists,(2009) Retrieved on March 6, 2009 from