

# What is a „Due Diligence“?

## Definition of Terms

„Due Diligence“ describes the **testing** and **evaluation** of a company in a business transaction by a potential investor.

A potential buyer for a house would visit, for example, the respective homes, evaluate the state (this process would be described as „technical due diligence“) then check the land registry entry (analogous to the „Legal Due Diligence“) to gather information on running costs (that would be the „financial due diligence“) and so on.

Potential investors examine, just like the buyer in the previous example, before the acquisition of a company any legal, financial, fiscal, organizational and technological conditions of the target company.

*The direct translation of the term "due diligence" is: "With all due diligence." The translation implies, however, only the evaluation of the quality control of, but not the fact of the test in and of itself.*

Especially with the sale of large parts of companies or entire companies due diligence has played a very large role for years. The use of the **right advisors** and the **right tools**, optimize such processes with regard to the **safety, duration** and **cost efficiency** significantly.