ADD-BACK EVIDENCE CHECKLIST | FOR BUSINESS BUYERS

Before You Rely on the Add-Back, Make Sure You Can Defend It.

Find weakly supported add-backs before they distort your view of earnings, valuation, or debt service.
Use this checklist against the seller's support before you rely on adjusted earnings.

HOW TO SCORE EACH LINE

☐ **Documented:** support is on file and ties to the books ☐ **Needs support:** explanation exists; evidence is incomplete ☐ **Undocumented:** claimed, but nothing supports it

CLAIMED ADJUSTMENT	EVIDENCE TO COLLECT	QUESTION TO ASK THE SELLER	SCORE	$ AMT
Owner compensation	W-2s / payroll registers; owner draws in the GL; replacement-salary estimate	Who does the owner's job after close, and what does that person cost?	☐ ☐ ☐	_____
Family members on payroll	Payroll records by name; duties performed; hours actually worked	Are they working in the business? Does the role need replacing at market pay?	☐ ☐ ☐	_____
Vehicle / auto expense	GL detail; titles and registrations; mileage or use logs	Was it truly personal, or does the business need a vehicle?	☐ ☐ ☐	_____
Travel	Receipts; trip purpose; attendee lists	Was it business travel, and will it recur under a new owner?	☐ ☐ ☐	_____
Meals & entertainment	Card statements; business purpose noted by entry	What share was personal? Can you show which?	☐ ☐ ☐	_____
Insurance (life, health, personal)	Policies; named insureds; premium schedule	Whose coverage was it, and what does the business still need?	☐ ☐ ☐	_____
Cell phones & personal subscriptions	Carrier bills by line; list of users	Which lines and services leave with the seller?	☐ ☐ ☐	_____
Charitable contributions	Receipts; board approvals	Were any tied to customer or referral relationships?	☐ ☐ ☐	_____
One-time professional fees	Invoices; engagement letters; what the matter was	Is it truly nonrecurring, or is there a pattern across years?	☐ ☐ ☐	_____
Unusual repairs & maintenance	Invoices; before/after description; asset age	Is this deferred capex that the buyer will face again?	☐ ☐ ☐	_____
Related-party rent	Lease; landlord ownership; market-rent comparison	Is the rent below market, and what will it be after close?	☐ ☐ ☐	_____
Personal expenses through business	GL detail tagged line by line; card statements	Can each item be traced, or is it a lump estimate?	☐ ☐ ☐	_____
Nonrecurring costs (move, lawsuit, disaster)	Documents for the event; dates it started and ended	Did it really end? Is anything similar likely to happen again?	☐ ☐ ☐	_____
Owner-related benefits (401k, perks)	Plan documents; contribution records	What benefits will a replacement manager expect?	☐ ☐ ☐	_____
TALLY	Documented _____	Needs support _____	Undocumented _____	**$ at risk: $_____**

TrueQoE rule of thumb: treat every yellow or red line as a diligence risk until the support is on file. Weak support can overstate SDE, distort valuation, and create financing surprises after the LOI.

Complicated earnings story? Run a TrueQoE First Pass before the deal depends on it.

We test claimed add-backs against the financial package and surface the evidence gaps that matter.

trueqoe.com/first-pass

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This checklist is a general preparation aid, not accounting, tax, or legal advice. A TrueQoE First Pass is not an audit, attestation, or quality of earnings report and does not satisfy a lender's QoE requirement.