

The Quality of Earnings Request List

Every document a QoE asks for, why it is needed, and the chapter that explains the test

This is the request list a quality of earnings engagement works from, grouped by subject. Owners, lenders and their advisors may copy it and use it. An owner who assembles it before a sale, with the support filed beside each item, has done most of the first week of a QoE. The engagement letter, the purchase agreement and the lender's own policies govern what a given engagement requires. Bold items are the first requests; the rest follow as the documents raise questions. Chapter numbers refer to *The Quality of Earnings* by Philip A. Baratelli, where each test is explained.

Engagement

Item	Periods	Why the QoE needs it	Chapter
☐ Engagement letter, signed by the client	Signed before any document is requested	Names the client, the business, the buyer, the price, the periods, the procedures, the fee and the six independence points; on a covered SBA loan it is evidence of when the lender engaged the work	3
☐ Independence points confirmed	At acceptance, and again on the report date	Shows the preparer keeps no books, holds no interest, takes no contingent fee or referral payment, makes no management decisions and has no close relationship with the parties	2
☐ Purchase price and transaction type	As of the purchase agreement	Decides whether the SBA requirement applies: business purchase price of \$3 million or more, less appraised owner-occupied real estate, for an Initial Acquisition or Business Expansion	2
☐ Upload link and request list sent to the company	The day the letter is signed	Keeps sensitive files out of email and ties each document to the request it answers	3
☐ Forms 4506-C filed by the lender, one for each form type	The day the letter is signed	Starts the IRS transcripts, which cannot be compared with the returns until they arrive	3

Financial Records

Item	Periods	Why the QoE needs it	Chapter
☐ General ledger detail for every month (QuickBooks: Reports > General Ledger, or Transaction Detail by Account; export to Excel or CSV)	Every month of the two fiscal years and the TTM	Every transaction behind the statements; the source for testing add-backs, cut-off, manual entries and names that look personal	5, 6
☐ Monthly income statements and balance sheets	Every month of the periods covered	The monthly trend and month-end working capital	9, 10
☐ Trial balance at each fiscal year-end and at the most recent month-end	Each year-end and the latest month-end	That the ledger balances and agrees to the statements and the returns	4, 6
☐ Trial balance at the fiscal year-end before the first period, or Schedule L of that year's return	One year-end earlier than the first period	Supplies the opening receivables, inventory, payables and accruals, so the first period's proof of cash can measure the changes behind both receipts and disbursements	7
☐ Fixed asset schedule	Each fiscal year	Ties the depreciation added back in the bridge to the assets behind it	4

Item	Periods	Why the QoE needs it	Chapter
☐ List of manual journal entries to the income statement, with support	Each fiscal year-end, and the first weeks of the next year	Accruals, reversals and corrections are where earnings can move between periods; each is tested against a document from outside the books	6
☐ Bills of lading or other shipping records for the last days of each fiscal year	Last week of each fiscal year	Proves that revenue accrued at year-end was earned in that year	6
☐ First weeks of the new year's payables	Opening weeks of each new fiscal year	Finds expenses that belong to the prior year but were not recorded in it	6

Tax

Item	Periods	Why the QoE needs it	Chapter
☐ Federal business tax returns for the last three years, with all schedules	Three years: one more than the fiscal years analyzed	The figures the company actually filed; Schedule M-1 reconciles book income to return income; the extra year supplies the opening balance sheet	4
☐ IRS tax return transcripts, pulled by the lender with Form 4506-C	Each fiscal year covered	That the returns in the file are the returns the IRS received: gross receipts and ordinary business income (Form 1120-S, line 22) compared for every year; differences over \$10 are flagged	4
☐ Sales tax filings	The periods covered	Confirms the sales tax setting used in the proof of cash rather than assuming it	7
☐ Payroll tax deposits, sales and use tax returns, property tax bills and any tax notices	Periods before closing	Finds taxes owed for periods before closing that come due after it	11

Bank and Cash

Item	Periods	Why the QoE needs it	Chapter
☐ Bank statements for every business account, every month (PDF, or a CSV export from online banking)	Every month of the periods covered, for each account	Cash that actually arrived and cash that actually left, from a record the seller did not prepare; required for the TTM and the two most recent fiscal years on a covered SBA loan	7
☐ List of every business account	As of the engagement	Ties the accounts in the ledger, on the statements and on loan applications to one list; transfers can be matched only when both sides are in hand	7
☐ Support for each transfer between accounts and each non-revenue receipt (loans, owner money, refunds, asset sales)	Month by month, in each period	Removes deposits that are not revenue, so the same dollar is not counted twice	7
☐ Support for each withdrawal that is not a cost: transfers out, owner distributions, loan principal and capital spending	Month by month, in each period	Removes payments that are not expenses, so the disbursements proof compares bank withdrawals with the costs in the books	7
☐ Credit memos issued in the first sixty days after each period end	Sixty days after each period end	Shows whether revenue booked at the period end was later reversed	7

Payroll

Item	Periods	Why the QoE needs it	Chapter
☐ Payroll registers and Form W-3 (or all Forms W-2) for each year	Each calendar year covered	Wages in the books against wages reported to the government; the tie uses box 5, Medicare wages	8
☐ Payroll register for the last pay period of each year and of the TTM	Last pay period of each year and of the TTM	Shows whether headcount and pay rates at the end of the period are above the year's average	8
☐ Headcount by month, and offer letters or raise notices for changes late in the period	The last months of the TTM, and any change after it	Supports a run-rate payroll adjustment for raises and hires the TTM does not yet show in full	8
☐ Bonus calculation and the payroll record showing each accrued bonus paid	Each fiscal year-end	Supports a year-end bonus accrual and explains a W-3 difference	6, 8
☐ Accrued vacation and bonus schedule by employee, with the vacation policy and bonus plan	At the last balance sheet date	Pay earned before closing and paid after it is a debt-like item	11

Revenue and Customers

Item	Periods	Why the QoE needs it	Chapter
☐ Sales by Customer Summary, one column per year, plus year to date (CSV or Excel)	Each fiscal year and year to date	Who the revenue depends on, and who left; the export must tie to revenue in the ledger before any share is computed	9
☐ Customer contracts or supply agreements for the largest customers, with renewal dates	Current	Contract continuity and how long the largest customers have bought	9, 14
☐ Explanation of each lost customer, with its last orders and any correspondence	Each customer with sales in one year and none in the next	Shows whether the cause of a loss reaches other customers	9
☐ Customer deposit listing: order, customer, amount, expected ship date	At the last balance sheet date	Deposits on orders not yet shipped are cash collected for work the buyer must deliver	11

Balance Sheet and Working Capital

Item	Periods	Why the QoE needs it	Chapter
☐ Receivables and payables aging at each year-end and at the most recent month-end	Each year-end and the latest month-end	Collectibility of receivables; payables stretched before a sale	10, 11
☐ Inventory counts or reports at each year-end	Each fiscal year-end	That the inventory on the balance sheet exists	10
☐ Physical count results with the count sheets and adjustments booked, or, where no count was taken, an inventory roll-forward (opening balance, plus purchases, less cost of goods sold, to the closing balance)	Each fiscal year-end, and the latest count before closing	Ties the balance-sheet inventory to a count or to the purchase and sales records, so shrinkage and unrecorded write-downs come to light	10
☐ Inventory aging by item, with the last sale or usage date	Each fiscal year-end and the latest month-end	Finds slow-moving and obsolete stock that inflates working capital and may need a reserve	10

Item	Periods	Why the QoE needs it	Chapter
☐ Inventory costing method (FIFO, average cost or other) and any change in it, with the reserve policy	Each period covered	A change in method or reserve moves gross margin and earnings without any change in the business	4, 10
☐ Loan and credit line statements, equipment financing, customer deposits and deferred revenue	At each balance sheet date and at closing	Funded debt and the obligations a buyer treats as debt	11
☐ Month-end balances of receivables, inventory, other current assets, payables and accrued liabilities	Each of the twelve months of the TTM	Measures normal working capital across a full year rather than at a seasonal year-end	10
☐ Receivables aging by customer at each period end	Each period end	Identifies balances past 120 days and supports any reserve as a normalizing adjustment	7, 10
☐ Equipment service logs, repair quotes, and the age and hours of major equipment	Current	Supports deferred maintenance and capital spending as a debt-like item	11
☐ Purchase agreement definitions of net working capital and of indebtedness, and the agreed peg and collar	As signed	Each liability belongs in one place, working capital or debt; the QoE reports normalized working capital against the agreed peg	10, 11

Contracts and Related Parties

Item	Periods	Why the QoE needs it	Chapter
☐ Leases and agreements with related parties (rent, management fees, loans)	All in force during the periods covered	Rent and fees paid to the owner's other entities are tested against market and against the lease the buyer will sign	5
☐ Lease term and the rent the buyer has agreed to pay after closing	As of closing	Decides whether related-party rent needs an adjustment, up or down; an SBA lender will also want the lease term, with options, to run with the loan	5
☐ A broker's opinion of rent or other market evidence for comparable space nearby	Current	The market side of the related-party rent test	5
☐ Equipment leases and payment schedules	All in force	A lease that works like a purchase on credit may be treated as debt	11
☐ Contracts for recurring services the seller presents as one-time	All in force during the periods covered	A contract renewed during the periods is evidence that the cost continues	5
☐ Attorney letters, settlement agreements and notices of claims	Current	A known claim or agreed settlement for events before closing is debt-like	11
☐ Engagement letters for the sale and employment agreements with change-of-control terms	Current	Transaction costs and payments triggered by closing	11
☐ Purchases by supplier, one column per year, with supplier terms, rebate and volume agreements	Each fiscal year and the TTM	Supplier concentration as a share of cost of goods sold, the terms behind gross margin, and rebates that may not survive a change of ownership	5, 9

Management

Item	Periods	Why the QoE needs it	Chapter
☐ Owner and family pay, benefits, vehicles, and personal expenses paid by the business	Each year covered	The raw material for owner compensation and personal expense add-backs	5, 8
☐ Owner's Forms W-2	Each year covered	Proves what the owner was actually paid; one side of the owner pay subtraction	5, 8
☐ Market pay study for the owner's role, matched to role, company size, industry, region and benefits	Current	The other side of the owner pay subtraction; every dollar of difference moves EBITDA by a dollar	5, 8
☐ The seller's list of add-backs, with the support for each one	Each period covered	What the seller claims and what backs it up: the ledger account, the vendor, the months it appears and the document showing it will stop at closing	5
☐ Receipts, business purpose and event logs for travel, meals, memberships and gifts	The charges sampled in each period	Separates documented business costs from personal spending	5, 6
☐ Management interviews, with each answer written into the file beside its document	During fieldwork	Explanations for what the documents raise	5, 6, 9
☐ Management representation letter, signed	At the end of fieldwork, before review	Confirms that all records, every bank account, every loan and lease, every related-party arrangement and every known event were disclosed	3

: BPM (Craig Hamm), "What Borrowers and Lenders Need to Know Before the SBA's Quality of Earnings Deadline," September 3, 2026. <https://www.bpm.com/insights/sba-quality-of-earnings-requirement/> : CliftonLarsonAllen, "The SBA Now Requires a Quality of Earnings on Larger Acquisition Loans," August 27, 2026. <https://www.claconnect.com/en/resources/blogs/private-equity/the-sba-now-requires-a-quality-of-earnings-on-larger-acquisition-loans> : IRS, "Income Verification Express Service," n.d. (last reviewed September 11, 2026). <https://www.irs.gov/individuals/international-taxpayers/income-verification-express-service> : PKF O'Connor Davies (Shilpa Bhandarkar and Daniel Pannone), "Quality of Earnings Goes Mainstream: What the SBA's New Requirement Means for Lenders, Buyers and Sellers," September 15, 2026. <https://www.pkfod.com/insights/quality-of-earnings-goes-mainstream-how-the-sbas-new-requirement-could-reshape-small-business-acquisitions/>

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