



# AUDITS, REVIEWS AND COMPILATIONS

Timely, accurate financial statements are vital in assessing the state of your company and projecting future growth. It's important to know the difference between an audit, review and compilation so you can satisfy lenders, creditors, investors and other outside parties without paying more than necessary.

## WHAT IS A COMPILATION?

Compilations, or compiled financial statements, are the most basic level of financial statements.

Compilations are used for:

- Internal management decisions
- Reporting to existing investors
- Loan applications for small companies with straightforward transactions
- New business insurance policies

Compilations do not provide any assurance, meaning they do not indicate if modifications need to be made to the financial statements to be compliant with the generally accepted accounting principles (GAAP).

A compilation differs significantly from an audit. It does not perform any analytical procedures or provide an understanding of the entity's internal control, fraud risk, or accounting records.

## WHAT IS A REVIEW?

Financial statement reviews are a step above compilations. They apply procedures to gain a limited assurance that modifications do not need to be made.

Rather than digging through documentation, the CPA performs basic analytical procedures to double-check that the financial statements make sense.

Reviews are used for:

- Growing business seeking larger and more complex financing and credit
- Small business loans
- Attracting new investors
- Potential buyers

## WHAT IS AN AUDIT?

Audits prove to third parties that your financial statements are accurate. CPAs analyze accounting records and outside documentation of transactions to issue an opinion that the financial statements are compliant with GAAP. Audits are used for:

- Publicly traded companies
- Obtaining government funding
- Large business loans for high risk companies
- Negotiating potentially lower interest rates

Audits provide the highest level of assurance that CPAs can attest to and require extensive information to form an opinion. The cost of an audit engagement is typically twice that of a review engagement.



**TALK WITH AN ADVISOR TODAY.**

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