

Benefits of a Financial Statement Audit

An audit is an evaluation of by an external auditor to form an independent opinion on the financial statements of a company. Financial statements are prepared by a company according to generally accepted accounting principles (GAAP). The fair presentation of those financial statements are evaluated by independent auditors using a framework of generally accepted auditing standards (GAAS) which set out requirements and guidance on how to conduct an audit. Simply put, an audit validates the accuracy of financial statements.

How Can My Company Benefit From An Audit?

- **Shareholders**
 - Owners take comfort from an independent assurance that the financial statements fairly present the company's financial position and performance.
- **Current and Potential Investors**
 - The confidence offered means investors are less likely to challenge business decisions or bring a lawsuit over a disagreement. Having audited financial statements may help you attract new investors as they are more likely to invest in a business when they are sure it is financially sound and following good business practices.
- **Banks and Financial Institutions**
 - Having audited financial statements can reduce finance costs. A study by University of Chicago's Booth School of Business published in 2001 indicated that firms with audited financial statements secured interest rates that were more than half a percentage point lower than firms without audited financial statements.
- **Internal Control Deficiencies**
 - An auditor can help detect deficiency in your company's internal controls that could lead to fraudulent activity. Additionally, areas for process improvement efficiencies are often discovered and communicated to management.
- **Tax Savings**
 - There could be tax reduction strategies determined during the audit process. The use of an outside third party may uncover tax strategies not currently being taken advantage of.
- **Sale of Business**
 - When it comes time to sell your business, audited financial statements are more attractive to a potential buyer and may bring a higher sales price.
- **Cost of Audit**
 - All of the advantages of an audit can often justify and offset the cost of it.

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