

## 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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