

Financial Reporting 101: Compilations, Reviews, and Audits Explained

How confident are you that your financial reports are reliable, timely, and relevant?

Have they been prepared in accordance with Generally Accepted Accounting Principles, commonly referred to as GAAP?

What's appropriate for your company depends on the needs of your creditors, investors, and management team. Accountants offer three levels of assurance: compilations, reviews, and audits.

Compilations rely on data provided by management. They provide no assurance that financial statements are free from material misstatement and conform with GAAP.

Next are reviewed financial statements, which provide limited assurance that the statements are free from material misstatement. Here, the CPA applies analytical procedures to identify unusual trends in the financial statements. In addition, the CPA reviews your company's accounting policies.

The third option, an audit, provides a reasonable level of assurance that your financial statements are free for material misstatement. Audited financial statements are the only type of report to express an opinion about whether the financial statement are fairly presented and conform with GAAP.

Not every business needs audited financial statements but the higher level of assurance you choose, the more confidence you'll have that the financial statements fairly present your company's performance. Contact SVA and we can help you determine which is the best option for your organization.

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