

ACCOUNTING PREPERATION



RAINIER
G R O U P

A Northwest Firm Advising Businessess Nationally for
Over 30 Years

500 108TH AVE NE UNIT 2000, BELLEVUE, WA 98004



WHICH FORM OF ACCOUNTING PREPARATION IS RIGHT FOR YOUR BUSINESS?

There are generally three different ways that a business can display and record their business financials, internally prepared, reviewed, and audited. All three tiers are different in their own way, and are ranked in levels of accuracy and quality, internally prepared being the lowest and audited being the highest. Each tier has its own benefits and drawbacks, fitting different business's needs. The size, complexity and future objectives with your business is what typically drives the appropriate accounting preparation. If your business has outgrown its humble beginnings into a large operation, or is considering a sale, it may be time to switch to more detailed accounting. A buyer typically prefers a seller have at least reviewed, but preferably audited financials by a reputable accounting firm. Here are their definitions and a quick overview of each.



Internally Prepared:

Internally prepared business financials are performed by the bookkeeping or accounting team within a business. This is normally performed by a CPA or hired accountant within the business but can be done by anybody with a strong understanding of accounting. This method results in the lowest quality of business financial statements (in the eyes of a 3rd party lender, investor or buyer). However, internally prepared financials may be plenty sufficient based on the size of the business (caters to smaller businesses) or the accountability and skill of the accounting or bookkeeping team.

Reviewed:

Reviewed financial statements are performed by an independent Certified Public Accountant (CPA). The CPA will create a compiled report of the businesses financials, and then perform an in-depth review of the business financial information and bookkeeping/analytical procedures. The purpose of this review is to verify the businesses operations and financial recordings are truthful and within the Generally Accepted Accounting Principles (GAAP). A CPA preparing reviewed financial statements will follow the general ruling of the GAAP.

Audited:

An audited financial statement is performed by an auditor or auditing team who specializes in auditing and reviewing a business's financials and practices. This audit is the in-depth examination and review of a business's financials and is performed to verify access all of a business's financials within their recent history. It is regarded as the highest level of financial review that can be prepared on a business. Audits are becoming more and more common as lender, investors and buyers are asking for more transparency as the number of companies with fraudulent activity increases.