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## **What Level of Financial Statement Service Do You Need?**

By Bill Jencyk, CPA

Clients often ask us about the different services related to financial statements. The three primary types of financial statement services being: 1) compilations, 2) reviews, and 3) audits. In simplest terms, the difference lies primarily in the level of assurance you want your CPA to provide.

### **Compilations – No Assurance**

A compilation is the most basic service that a CPA can provide. When conducting a compilation, the CPA presents information that is the representation of the owners or management in the form of financial statements while expressing no assurance on the statements. The CPA is not required to make inquiries about the information supplied by the client unless the information is questionable.

### **Reviews – Limited Assurance**

During a review, the CPA provides limited assurance as to the financial statements' compliance with generally accepted accounting principles (GAAP) in the United States or another basis of accounting. The CPA will make inquiries and will conduct analytical procedures in order to provide limited assurance regarding the financial statements. Procedures such as confirmations, observations, or testing will not be performed as part of a review unless the CPA has reason to conclude that the information provided appears to be questionable.

### **Audits – Full Assurance**

The most involved financial statement service provided by a CPA is the audit. During an audit, the CPA will express an opinion with respect to the financial statements. This includes gaining an understanding of internal control and assessing control risk, performing audit procedures such as sampling, confirmations, observation and other procedures, depending on the auditor's professional judgment. The auditor will also require the client to provide a management representation letter.

While each financial statement engagement is unique, a CPA will generally follow the guidelines as described above. For obvious reasons, fees increase with each service level, as does the value it represents to the client. For instance, third party users such as banks place much greater reliance on audited financial statements than reviewed or compiled statements.

To discuss your financial statement needs and to determine if you are receiving the most appropriate level of service for your enterprise, contact your audit engagement leader.