

## Technical Accounting >>>>>>>

# Successfully Navigate the Rigors of an Initial Audit.

Conducting an initial audit is time consuming and demanding for an already overloaded accounting department. During an initial audit, a company is faced with two difficult challenges: converting its trial balance to a complete set of financial statements that comply with GAAP and withstanding the scrutiny and demands of an external audit firm.

Our dedicated experts take a hands-on approach to help companies address complex accounting transactions, prepare required documentation, assist in the implementation of new accounting standards, drive successful collaboration with external auditors and simplify the audit process. No matter your situation, we meet the evolving needs of an initial audit through careful evaluation and actionable insights to help achieve a successful initial audit.

Our experts include former Big 4 auditors and industry specialists that have proven experience working with public accounting firms. As former auditors ourselves, our decades of experience working with leading audit firms provide us with unique insight into their methodologies and preferences. We can anticipate auditor concerns and possible adjustments to the financial statements to avoid any last minute surprises. We have extensive experience in implementing new accounting standards and meeting robust reporting requirements. With our fractional outsourced accounting model, you direct the level of our involvement, gain peace of mind, streamline the audit process and get valuable time back.

## Services for a Successful Audit

- Audit Plan & Scope:** Complete risk assessments, early identification of complex areas requiring further evaluation, identify and prepare pre-audit adjustments, and participate in pre-audit planning.
- PBC List Management:** Collaborate with internal team and external auditors to set realistic deadlines, prepare required documentation — including white papers and supporting analyses — and streamline the audit process.
- Communication:** Manage communication and collaboration with external auditors to reduce project challenges created by unforeseen circumstances.
- Cost Management:** Align on business needs and enhance communication among all parties, creating an efficient process and reducing risk.
- Project & Resource Management:** Drive project completion through resource allocation and the development of clear roles and responsibilities and an active oversight of audit progress, status and timeline to completion.

# Our Process

- **Pre-Audit GAAP Adjustments**  
Identify and record GAAP accounting adjustments before the audit begins.
  - Understand the company's historical accounting in key areas
  - Review trial balance for possible adjustments
  - Review non-accounting documents and records including board minutes, cap table, debt agreements and other contracts to identify potential accounting and auditing issues not previously addressed
  - Obtain and review reconciliations for trial balance accounts
  
- **Pre-Audit Project Planning**  
Meet internally to create a plan to manage the ongoing audit process.
  - Identify operational and technical accounting resource needs
  - Allocate resources to align expertise of personnel with related audit needs
  - Identify need for valuation or other outside experts
  - Define roles and responsibilities
  - Define communication plan and pathway for issue escalation and resolution
  
- **Audit Planning**  
Participate in planning meeting with external auditors.
  - Help management understand and assess external audit plan, areas for emphasis and auditor requirements
  - Review PBC requests and agree on timeline
  
- **Ongoing Engagement Management**  
Act as key source of contact for external auditors and assist in managing the process.
  - Serve as a liaison between company personnel and external auditors
  - Manage PBCs and audit timeline
  - Anticipate and resolve audit issues in a timely manner
  
- **Prepare Audit Deliverables**  
Prepare documentation requested by the auditors.
  - Prepare and deliver high quality technical white papers in requested areas such as revenue recognition or share-based compensation
  - Prepare GAAP-compliant financial statements, including comprehensive footnotes
  - Prepare and deliver supporting calculations and analyses

## Common Audit Challenges

- Underestimating the demand of initial audits on existing internal resources
- Condensed timeline for completion
- Ensuring adherence to accounting standards
- Preparation of financial statements that are fully compliant with US GAAP
- Documenting complex accounting assessments and supporting analyses
- Mitigation of risk upon error identification
- Understanding the impact of delayed deliverables to audit timeline

## Goals & Desired Outcomes

- Early identification of complex technical matters and a collaborative resolution process
- Successful and streamlined coordination with auditors, legal counsel, audit committees and other stakeholders to achieve desired timelines
- High quality, comprehensive deliverables that contribute to an efficient audit
- A minimization of audit adjustments and surprises, lower auditing fees and the ability to receive more value out of the audit process

# Our Solutions for Initial Audit

## Audit Plan & Scope

- Define Roles & Responsibilities
- Comprehensive Assessment of Applicable GAAP
- Perform Risk-Based Prioritization
- Establish Timeline
- Confirm Deliverables

## Communication

- Foster Collaboration
- Focus on Issue Resolution
- Lead Status Meeting With Auditors
- Ensure Management's Involvement in Key Accounting Judgments & Adjustments

## Project Management & Execution

- Management of PBC List & Timeline
- Anticipate & Resolve Audit Issues Swiftly
- Prepare & Provide Requested Deliverables

## What Makes Kranz Different?

We specialize in various startup services to help our clients grow and prosper, and over 2,500 companies stand as a testament to Kranz's ability to turn entrepreneurial innovation into superior valuations. Our team is full of operational and technical accounting experts who are there to guide entrepreneurs and founders through the complexity and demands of an initial audit. Our clients deserve to reach their full potential, and we bring seasoned perspectives, customized solutions and new insights to their unique goals and concerns.

With 300+ career consultants nationwide, Kranz creates and transforms value for our clients so they can prosper. Our relationships are the common thread that guides everything we do. In an ever-changing world, every startup deserves to have trusted and resourceful perspectives that drive them to ultimate success.

## What our trusted partners say:

“From start to finish, Kranz provides sound financial advice and their in-depth knowledge. Their experience was critical in operating a business. Working with Kranz's easy accounting process was reliable and responsive and they consistently closed books on time. Kranz consultants are more than accountants, they are partners.”



**Nelo, Inc.**