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WHAT ARE THE DIFFERENCES?

Financial Due Diligence ("FDD")

Financial Statement Audit ("Audit")

Agreed-Upon Procedures ("AUP")

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OBJECTIVE

FDD :

Voluntary financial analysis to assess financial health and risks associated with M&A or investment.

AUDIT :

Mandatory historical financial statements inspection for statutory compliance. May provide a starting point for potential evaluation of a company.

AUP :

Perform specific procedures on identified financial information tailored to the needs of the client and report on factual findings.

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SCOPE / GUIDANCE

FDD :

Typically covers historical and financial projections. Limited detailed verification testing.

AUDIT :

Financial Reporting and Auditing Standards. Detailed verification testing.

AUP :

Procedures limited to certain accounts, transactions, or assertions in accordance with professional standards. Detailed verification testing.

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TIMING

FDD :

Typically conducted **prior to** transaction or investment.

AUDIT :

Conducted **annually** after the completion of a company's financial reporting period.

AUP :

Usually performed **pre-or post-**transactionor investment.

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DELIVERABLE

FDD :

Formal written report highlighting key **findings**, potential **risks**, **opportunities** and **recommendations.**

AUDIT :

Audit report which includes **auditor's opinion** of financial statements consistent with generally accepted accounting principles.

AUP :

Formal written report providing key **findings from procedures performed.**

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AUDIENCE

FDD :

Potential buyers, investors or lenders.

AUDIT :

Shareholders, lenders, regulatory authorities or other stakeholders.

AUP :

Typically restricted to engaging parties.