



TECHNICAL ACCOUNTING MEMOS & FIRST TIME AUDIT PREP

Context

Our client is a high-growth, vertically integrated agricultural wholesaler, distributor, and retailer undergoing their first audit and review of financials spanning from the inception of the business to their most recently completed fiscal year end. Technical memos for ASC 606 and ASC 842 needed to be created for fiscal years ending 2017, 2018, and 2019.

The Problem

As an early stage company, the company lacked internal technical accounting capacity and capability. Additionally, written contracts with customers to substantiate their revenue agreements was missing in the early years of operation. With respect to ASC 842, many of the leasing schedules and agreements were incorrect and complex due to the terms being employed. Additionally, the client had a tight deadline to complete the audit with a round of financing contingent upon its completion.

The Execution

CFO's Domain set out to address 5 key concerns for the client:

1. Our consultant was retained to do a comprehensive assessment of the organization's current and former sales/distribution model and a review of their lease agreements to understand and provide the basis for compliance.
2. As an alternative to using sales contracts in the early years, our consultant was able to leverage sales receipts as contracts, interviews with key stakeholders, and a review of the ledger to reach initial conclusions around current and prior business processes.
3. Our consultant's collaboration with the client's external auditor was critical to ensure that the positioning and methodology being applied was in alignment with the auditors' expectations.
4. In a matter of weeks, our consultant was able to comprehensively analyze the company's leasing and revenue processes to provide the basis for her technical memos.
5. Upon completion of her position papers, our consultant also identified areas where the client could adapt their current processes to strengthen the degree of their compliance with the new standards.

The Result

Our client was able to get a defensible set of technical position memos from our consultant that enabled them to complete the audit on time and to subsequently secure the financing round that was critical to the growth of their business.