



ACCOUNTING QUALITY + RISK MATRIX

Timely access to qualitative disclosures and reportable events from SEC filings at your fingertips.

The Accounting Quality + Risk Matrix (AQRM) is an interactive tool designed to quickly identify and understand qualitative and contextual metrics of governance and reporting quality. Red flags and events highlighted in the risk matrix are used for screening, idea generation, portfolio monitoring, and risk management for every SEC registrant.

AQRM Features:

- Easily identify indicators of potential earnings management and other accounting quality issues.
- Quickly understand potential governance and control risks.
- Drill down to assess detailed data surrounding the potential issue.
- Monitor portfolio for reportable events.
- Perform risk analysis using difficult to find and specialized information.
- Access insight into qualitative and contextual SEC disclosures.
- Track and benchmark on many of the same metrics used by auditors and regulators.
- Isolate areas to improve a portfolio's performance.

The Matrix:

Quickly review the history of a company's reportable events, including proprietary data sets such as Out of Period Adjustments and Changes in Accounting Estimates. Also, access in-depth information on events with a single click.

Red Flags:

Using proprietary analysis, informed by the latest research in the accounting field, notable, significant, and critical events and anomalies are highlighted to aid in due diligence and risk monitoring for companies in a portfolio.

The AQRM tool provides valuable and actionable insights to the investing public. AQRM is available as an online subscription and through data feeds.

Flag Name	2015	2014	2013	2012	2011
AUDITORS					
Auditor Ratification - Significant Vote Against					
Audit Fees - Significant Change					
Auditor Change					
Audit Opinion - Going Concern					
FINANCIAL REPORTING					
Restatement			Significant		
Out of Period Adjustment		Notable		Notable	
Change in Accounting Estimates		Notable	Significant	Significant	
Accounting Disclosure Complexity					
Deviation from Denford's Law					
Altman Z-Score					
Beneish M-Score					
CONTROLS					
Internal Controls - Adverse			Significant		
Disclosure Controls - Adverse		Critical	Critical	Notable	
Late Filings			Critical		
STAKEHOLDERS					
Shareholder Activism					
Litigation - Shareholder Class Action					
Litigation - Intellectual Property					
Litigation - Regulatory					
INSIDERS					
CEO Change		Notable		Notable	
COO Change				Critical	

See back for an example use of our app.

With AQRM, all of the critical information is located in one place. Audit Analytics is the only provider to bring all of this data together, with new indicators and metrics continually being added and updated. The following is a list of the red flags currently available:

• FINANCIAL REPORTING

- Accounting Disclosure Complexity
- Altman Z-Score
- Beneish M-Score
- Benford's Law Analysis
- Changes in Accounting Estimates
- Out of Period Adjustments
- Restatements

• CONTROLS

- Disclosure Controls (SOX 302) – Adverse
- Internal Controls (SOX 404) – Adverse
- Late Filings (Form NT)

• INSIDERS

- CEO Changes
- CFO Changes

• STAKEHOLDERS

- Material Litigation
- Shareholder Activism

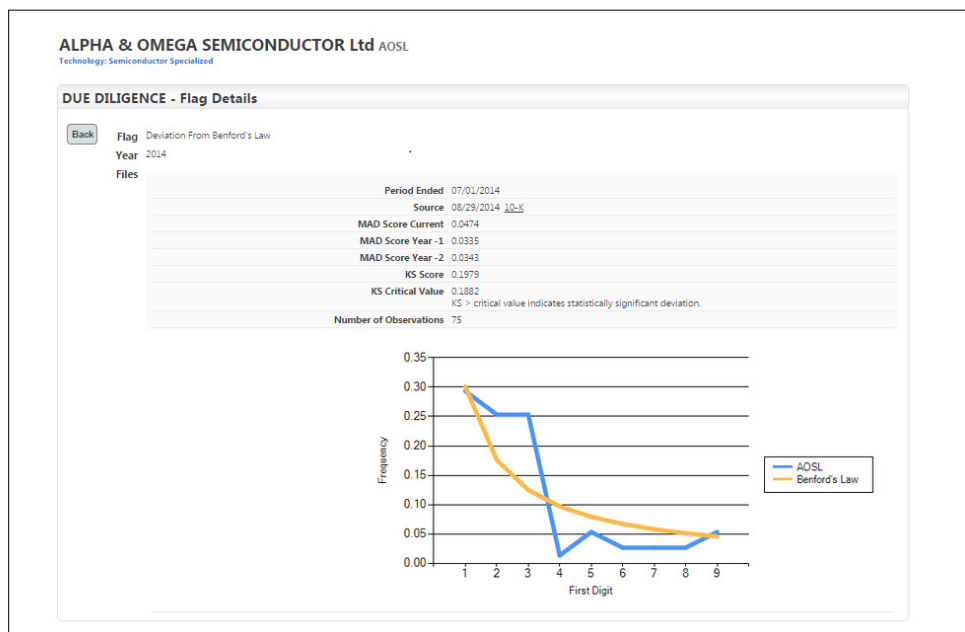
• AUDITORS

- Auditor Change
- Audit Fees – Significant Changes
- Audit Opinions – Going Concern
- Auditor Tenure
- Auditor Ratification – Significant Vote Against

USE CASE

A firm is researching a company as a possible addition to its portfolio. Using AQRM, an analyst quickly notes the following governance and management integrity red flags from the past five years.

- *The company disclosed a seemingly immaterial error correction related to income taxes.*
- *Following comments from the SEC, the company begins disclosing the effect of changes in estimates related to contract-accounting. Such estimate changes boost FY 2013 gross profits by \$150 million.*
- *Management turnover – both CEO and CFO – precede another “immaterial” error correction, this time related to revenue recognition.*
- *The company fails to file on time, disclosing that an internal investigation is underway and that restated financial statements are expected.*
- *A critical Non-Reliance Restatement related to errors in revenue recognition accounting leads to a charge of \$154 million and re-issued financial restatements for fiscal 2013, accompanied by disclosures of material weaknesses in the company's control environment.*



AUDIT ANALYTICS®

Audit Analytics is the leader in audit and disclosure intelligence. Top global and national accounting firms, financial institutions, regulators, and universities rely on Audit Analytics data and insight to gain a competitive edge. Audit Analytics' data is used for risk monitoring, market intelligence, business prospecting, and archival research.