



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	2020	2019	2018	2017	2016
AUDITORS					
Auditor Ratification - Significant Vote Against					
Audit Opinion - Going Concern					
Audit Opinion - Change in Engagement Partner				Notable	
Auditor Change					
Audit Fees - Significant Change					
Audit Fees - High Outlier		Notable			
Audit Fees - Significant Non-Audit Fees					
FINANCIAL REPORTING					
Out of Period Adjustment		Notable			
Impairments				Significant	Significant
Change in Accounting Estimates				Significant	Critical
Financial Restatement					
Accounting Disclosure Complexity					
Deviation from Benford's Law				Notable	
Beneish M-Score					
Altman Z-Score					
CONTROLS					
Internal Controls					
Disclosure Controls		Significant	Notable		
Late Filings					
STAKEHOLDERS					
Shareholder Activism					
Litigation - Regulatory					
Litigation - Civil Rights					
Litigation - Employment and Labor					
Litigation - Environmental		Significant	Significant	Significant	Significant
Litigation - Intellectual Property					
Litigation - Corruption and Illegal Activities	Significant	Significant	Significant	Significant	Significant
Litigation - Shareholder Actions			Significant	Significant	Significant
INSIDERS					
CEO Change					
CFO Change				Notable	Notable

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:

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.

• FINANCIAL REPORTING

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

• STAKEHOLDERS

- Material Litigation
- Shareholder Activism

• AUDITORS

- Auditor Change
- Audit Fees – Significant Changes
- Audit Fees – High Outlier
- Audit Fees – Significant Non-Audit Fees
- Audit Opinions – Change in Engagement Partner
- Audit Opinions – Going Concern
- Auditor Ratification – Significant Vote Against

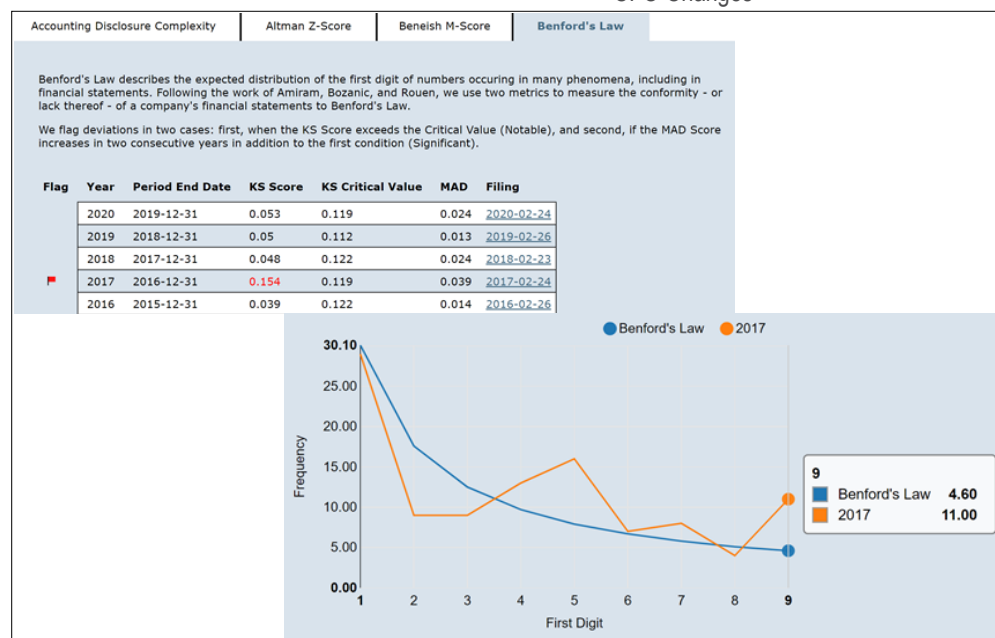
• CONTROLS

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

• INSIDERS

- CEO Changes
- CFO Changes

- *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 2017 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 2017, 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.