



# Audit-Ready Checklist

## How Prepared Are You for Your Next Audit?

This checklist is designed for CFOs, Controllers, and VPs of Finance at growth-stage tech startups, especially those preparing for their first audit or following a recent fundraising round. It covers the most common (and costly) areas startups overlook during audit season.

### Why Tech Startups Choose Us

**Technical Expertise - Built for Tech Startups**

**Fast, Accurate, Audit-Ready, The First Time**

**Responsive, Hands-On Support from Senior Experts**

**Technical When it Matters, Human When it Counts**

## Revenue

Is revenue recorded when you've actually delivered value to customers?

- Have you identified each unique form of revenue (e.g., goods, subscriptions, support, milestones)?
- Have you documented how each revenue stream is recognized (using the 5-step model)? *HINT: Auditors typically request a technical accounting memo*
- Do you have a system to track contract changes, discounts, and usage-based fees?

 **Red flag:** Revenue is being recognized off the billing schedule, not when control passes to the customer. You could be booking revenue months too early.

## Leases

Do you have any agreements where you pay to use property or equipment (e.g., office space, copiers, servers, or vehicles)?

- Do you maintain a lease roster (including amendments and extensions)?
- Have you classified each lease and recorded it properly on your balance sheet?
- Have you documented key judgments (e.g., discount rate)?
- Have you identified embedded leases in service agreements (if any)?

 **Red flag:** Leases are disclosed, but no right-of-use assets or lease liabilities appear on the balance sheet.

## Receivables

Do you hold receivables, loans, or notes (i.e., any amounts due from customers or others)?

- Have you assessed the receivables for collectibility?
- Have you considered both past history and future expectations in your estimate?
- Have you included all receivables, including employees or related-parties?
- Have you updated your methodology regularly and documented your assumptions?

 **Red flag:** You're still using the same "bad debt reserve" estimates year after year. Auditors will view this as a stale process and a compliance risk.

## Acquisitions

Have you acquired a business, product line, or significant assets recently?

- Have you determined whether the deal qualifies as a business combination or asset acquisition?
- Have you allocated the purchase price across assets and liabilities?
- Have you fair-valued all acquired assets and liabilities (and recorded goodwill if it's a business combination)?
- Have you documented the accounting analysis for the transaction? *HINT: Auditors typically request a technical accounting memo*
- Have you engaged a valuation specialist if the transaction is large or complex?

 **Red flag:** You booked the deal as an “asset acquisition” just because that’s what the contract called it. Contract labels don’t control the accounting and terms must be reviewed in detail to determine the right treatment.

## Debt & Equity

Did you raise money this year (e.g., loans, convertible debt, preferred stock, or warrants)?

- Have you determined whether each instrument should be recorded as debt or equity?
- Have you reviewed instruments for embedded features (e.g., conversion or redemption rights)?
- Have you evaluated derivatives (if any)?
- Have you accounted for issuance costs correctly?
- Have you documented the terms and accounting treatment? *HINT: Auditors typically request a technical accounting memo*

 **Red flag:** Convertible notes are shown as equity without complete analysis or memo.

## Goodwill

Do you have goodwill on your balance sheet?

- Have you tested goodwill for impairment annually?
- Have you used updated forecasts and inputs in the impairment test?
- Have you documented the test and rationale, even if no impairment was found?

 **Red flag:** No impairment analysis completed, or done before a major market/event shift.

## Segments

Do you or your leadership team review financials by product, region, or customer group?  
(Required for public and optional for private companies)

- Have you identified your Chief Operating Decision Maker (CODM)?
- If required, have you disclosed segments and related financials?
- Have you reconciled segment results back to consolidated totals?
- Even if you report "one segment," are you in compliance with the latest disclosure requirements?

**Note:** Segment reporting is not required for private companies. However, many startups elect to follow the rules early to prepare for future audits or investor scrutiny.

## What's Next?

✓ If you can check these boxes, you're on the right path!

⚠ If any are missing and not addressed before the audit, you may be at risk for:

- Additional audit procedures
- Delayed audits
- Surprise adjustments
- Higher audit costs
- Investor concerns



**Zeroed-In Consulting is Here to Help**



## Schedule a Free 30-Min Audit Readiness Session

Get direct feedback from Kyle Geers, CPA and Co-Founder of Zeroed-In Consulting. Kyle is a former Top 10 firm audit leader with 100+ engagements under his belt. This isn't a sales call. It's a real-time working session to spot your blind spots and move forward with confidence.

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