

WHY ENTREPRENEURS NEED TO AUDIT THEIR FINANCIAL STATEMENTS

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ABSTRACT

When starting your own business, audits are extremely important for a number of reasons. Audits aid in the principal-agent relationship, lend credibility to financial statements, can help discover fraud and uncover weaknesses, and usually are a "must" in obtaining business loans. Another side to this exists though. Many people have lost faith in auditing because of scandals at corporations like Enron, WorldCom, and Tyco International. Tougher regulations, responsible oversight committees, and harsher punishments need to be put in place to help restore the faith lost in auditing and accounting both. Also, a discussion will follow about why most entrepreneurs do not hire auditors (because of the rising costs of doing so) and what a small business should do when they do decide to hire an auditing firm to conduct an audit engagement for them.