



CASE STUDY

Building a Bridge from 'Excel-sheet Accounting' to Public Company

In May 2008, a manufacturer of high-performance orthopedic implants identified a strategic investor willing to provide additional investment capital to execute their business plan.

But one of the requirements for the investment was that the implant manufacturer needed to be a public company. So the firm agreed to consummate a reverse merger into a public shell. One problem, though: the manufacturer did not have an accounting system, nor did it have books and records. It was being run on a cash basis using a spreadsheet that was maintained by its founder to make sure he didn't run out of cash.

Audit Prep Services was hired to oversee the input of all the transactions into Quickbooks, and then to prepare for an audit from inception in 2005. Audit Prep Services would also do all financial reporting, including the financial sections of the document to be filed with the SEC. However, while this manufacturer was a small company, they had some issues that were quite complex.

Inventory, predecessor accounting, reverse merger accounting, segment reporting, asset impairment testing and share based compensation were some of the issues that were resolved.

Under SEC scrutiny, our positions were successfully defended.