Audit Reports & Auditor Opinions Matrix Master Cheat Sheet

Unmodified, Qualified, Adverse, Disclaimer of Opinion & Emphasis-of-Matter Decision Framework | GAAS

1. AUDITOR OPINION DECISION MATRIX (GAAS / PCAOB)

Nature of Circumstance	Material but NOT Pervasive	Material AND Pervasive (Substantial Distortion)
Financial Statements Materially Misstated (GAAP Departure, Inappropriate accounting policy, inadequate disclosure)	**QUALIFIED OPINION ('Except For')** Auditor states that 'except for' the matter described, the financial statements present fairly.	**ADVERSE OPINION** Auditor states that financial statements **'do not present fairly'** in conformity with US GAAP.
Inability to Obtain Sufficient Appropriate Audit Evidence (Scope Limitation: management restriction, client destroyed records)	**QUALIFIED OPINION ('Except For')** Auditor states that 'except for' the possible effects of omitted matter, statements present fairly.	**DISCLAIMER OF OPINION** Auditor states that **'we do not express an opinion'** due to profound lack of evidence.
Auditor Lacks Independence	N/A	**MANDATORY DISCLAIMER OF OPINION** (no report on fairness allowed).

2. EMPHASIS-OF-MATTER & OTHER-MATTER PARAGRAPHS

Paragraph Type	Mandatory Required Circumstances	Effect on Unmodified (Clean) Audit Opinion
Emphasis-of-Matter Paragraph (Refers to matter appropriately presented/disclosed in statements)	• **Substantial Doubt About Going Concern** (alleviated or disclosed). • Justified change in accounting principle with material effect. • Significant subsequent event or major litigation uncertainty.	**DOES NOT MODIFY OPINION!** The audit opinion remains completely **Unmodified (Clean)**. Draws reader attention to key footnote.
Other-Matter Paragraph (Refers to matter NOT presented in statements)	• Reporting on comparative statements audited by predecessor auditor. • Restricting distribution of audit report. • Supplementary information required by FASB/GASB.	Placed directly after opinion paragraph and emphasis-of-matter paragraphs; opinion remains clean.