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Analytical procedures are used by accountants in multiple levels of service, and they are critical to evaluating financial data and variations that occur in financial data. But selecting and [documenting analytical procedures](#) are subjective processes, so the area of analytical procedures is one that can cause frustration for accountants.

Analytical procedures are “evaluations of financial information through analysis of plausible relationships among both financial and nonfinancial data,” according to an [AICPA statement](#) on audit standards related to analytical procedures. “Analytical procedures also encompass such investigation, as is necessary, of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.”

In other words, analytical procedures are an important aspect of not only understanding financial data, but also of flagging and researching inconsistencies. As a result, accountants are often planning and evaluating the results of analytical procedures.

In review engagements, analytical procedures are used to help provide limited assurance that the financial statements don't require material adjustments. For example, accountants develop expected values regarding various financial ratios, based on the accountant's understanding of the company and [industry trends](#), as well as the accountant's understanding of potential areas of increased risk of misstatement.

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In other words, analytical procedures are used throughout the audit engagement – in [audit planning](#), execution and review. As a result of their importance, developing and documenting analytical procedures can consume a lot of time.

Some accountants use software to streamline the preliminary analytics for audit and review and to [standardize the analytical procedures](#). In this way, technology can allow the accountant to have more time available to look at overall conditions of the client's finances, and at values that may be out of line.

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