



## Huron Consulting Group Study Analyzes Timing and Disclosure Issues Related to the Restatement Process

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### ***Comprehensive Study Also Shares Best Practices and Potential Pitfalls***

CHICAGO - October 04, 2007 - Huron Consulting Group (NASDAQ: HURN), a leading provider of financial and operational consulting services, today released its study entitled, "The Restatement Process: How Long Will it Take, What to Do, and What to Avoid."

The Huron study analyzed the timing between the initial announcement (filing of Form 8-K) of a material error in historical financial statements and the filing of restated financial statements by a public registrant with the U.S. Securities and Exchange Commission (SEC). The study examined, by accounting issue, company size, and industry, approximately 1900 restatements announced between August 2004 and December 2006. In addition, a 13-point Best Practices section outlines the ways to manage the restatement process and identifies pitfalls for companies to avoid during the process.

"It is critical for companies to expertly and efficiently manage the restatement process," said Joseph J. Floyd, vice president and practice leader for Huron Consulting Group's Financial Consulting practice. "Unfortunately, delays in filing can decrease both a company's shareholder confidence and employee morale, even with the smallest of accounting errors."

According to the Huron study, the average filing time between the initial filing of a Form 8-K and the restated financial statements was seven weeks and the median was three weeks. Approximately one out of every six restatements analyzed was filed within one day of a registrant filing the Form 8-K, while approximately one-third of the restatements were filed within two weeks of the initial Form 8-K filing. Some of the shorter time frames may be due to companies having already spent time undergoing an investigation and review, while simultaneously beginning to prepare for a possible restatement if the conclusion was reached that a material error had been reported in their financial statements.

"We were surprised to find how quickly some companies were able to file their restated financials after first reporting the existence of a material accounting error. In some instances, registrants filed their restatement almost immediately after the initial disclosure that an accounting error was discovered," added Floyd.

The study also found that approximately 20 percent of the companies reviewed took more than four months to complete the process. Such a delay generally resulted in the registrant missing at least one

timely filing of a Form 10-K or Form 10-Q.

Additional findings included:

- Approximately four out of five restatements are filed within four months of the initial filing of the Form 8-K announcing the existence of a material error.
- The most prevalent accounting issues encountered by registrants who filed restated financial statements were: Equity and Debt; Capitalization and Expense of Assets; Reserves/Accruals/Contingencies; Revenue Recognition; and Taxes. These five issues were consistently the most common, regardless of the length of time between the filing of the Form 8-K and the restated financial statements.
- Neither company size nor industry appeared to be significant factors in the length of the restatement process.
- Nineteen percent of Form 8-K filings announcing the existence of a material error reported fewer accounting issues than were ultimately included in the restated financial statements.
- For approximately 12 percent of the Form 8-K filings analyzed, registrants had not yet filed restated financial statements as of March 31, 2007.

"Restatements can range from relatively simple reclassifications within the cash flow statement to the headline-grabbing multiple-year restatements of numerous categories that affect net income," said Jeff Szafran, managing director, Huron Consulting Group. "The study revealed that some companies have announced a restatement is coming and are working at it, but have not yet filed restated financial statements. To minimize these and other common delays, companies should develop and follow best practices that establish procedures and timelines to guide the entire restatement process."

Best practice strategies for companies include:

Huron prepared 13 Best Practices for companies to consider when undergoing the restatement process.

1. Organize and Plan
2. Designate Project Manager
3. Lock Down Issues
4. Consider Teams and Leaders for Common Issues
5. Identify Starting Point
6. Incorporate Technology
7. Prepare Timeline/Regularly Scheduled Updates
8. Establish Trouble Shooting Process
9. Establish Protocols for Communications
10. Assess Resource Needs
11. Keep Documentation and Files Intact
12. Prepare to Pay Retention Bonuses
13. Do Not Wait to Draft Financial Statements

Copies of Huron Consulting Group's *The Restatement Process: How Long Will it Take, What to Do, and*

*What to Avoid* are available upon request or at [www.huronconsultinggroup.com](http://www.huronconsultinggroup.com).

### **About Huron Consulting Group**

Huron Consulting Group helps clients effectively address complex challenges that arise in litigation, disputes, investigations, regulatory compliance, procurement, financial distress, and other sources of significant conflict or change. The Company also helps clients deliver superior customer and capital market performance through integrated strategic, operational, and organizational change. Huron provides services to a wide variety of both financially sound and distressed organizations, including Fortune 500 companies, medium-sized businesses, leading academic institutions, healthcare organizations, and the law firms that represent these various organizations. Learn more at [www.huronconsultinggroup.com](http://www.huronconsultinggroup.com).

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