

1984

AICPA Professional Standards: Accounting and Review Standards as of June 1, 1984

American Institute of Certified Public Accountants. Accounting and Review Services Committee

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_prof

Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

American Institute of Certified Public Accountants. Accounting and Review Services Committee, "AICPA Professional Standards: Accounting and Review Standards as of June 1, 1984" (1984). *AICPA Professional Standards*. 370.
https://egrove.olemiss.edu/aicpa_prof/370

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in AICPA Professional Standards by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

AICPA PROFESSIONAL
STANDARDS

VOLUME B

Accounting and Review Services
Ethics • Bylaws
International Accounting
International Auditing
Management Advisory Services
Quality Control • Tax Practice

AS OF JUNE 1, 1984

AR

ACCOUNTING AND REVIEW SERVICES

CONTENTS

	Page
Statements on Standards for Accounting and Review Services	3301
Accounting and Review Services Interpretations	3501

➤→ The next page is 3301. ←➤

AR Section

STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES

Statements on Standards for Accounting and Review Services are issued by the AICPA Accounting and Review Services Committee, the senior technical committee of the Institute designated to issue pronouncements in connection with the unaudited financial statements or other unaudited financial information of a nonpublic entity. Council has designated the AICPA Accounting and Review Services Committee as a body to establish technical standards under Rule 204 of the Institute's Rules of Professional Conduct. Rule 204 requires adherence to those technical standards and requires that members be prepared to justify departures from them.

TABLE OF CONTENTS

Section	Paragraph
100	Compilation and Review of Financial Statements
General	.03-.08
Definitions	.04
The Accountant's Reporting Obligation	.05-.07
Understanding With the Entity	.08
Compilation of Financial Statements	.09-.22
Reporting on the Financial Statements	.14-.18
Reporting on Financial Statements That Omit Substantially All Disclosures	.19-.21
Reporting When the Accountant Is Not Independent	.22
Review of Financial Statements	.23-.38
Reporting on the Financial Statements	.32-.38
Departures From Generally Accepted Accounting Principles	.39-.41
Subsequent Discovery of Facts Existing at Date of Report	.42
Supplementary Information	.43

Section	Paragraph
100	Compilation and Review of Financial Statements—Continued
	Change in Engagement From Audit to Review or Compilation 44-49
	Effective Date 51
	Appendix A—Review of Financial Statements—Illustrative Inquiries 52
	Appendix B—Compilation of Financial Statements—Illustrative Engagement Letter 53
	Appendix C—Review of Financial Statements—Illustrative Engagement Letter 54
	Appendix D—Review of Financial Statements—Illustrative Representation Letter 55
	Appendix E—Rule 201 of the Rules of Conduct of the AICPA Code of Professional Ethics [ET section 201.01] 56
200	Reporting on Comparative Financial Statements
	Definitions 07
	Continuing Accountant's Standard Report 08-12
	Continuing Accountant's Changed Reference to a Departure from Generally Accepted Accounting Principles 13-15
	Predecessor's Compilation or Review Report 16-26
	Predecessor's Compilation or Review Report Not Presented 17-19
	Predecessor's Compilation or Review Report Reissued 20-24
	Changed Prior-Period Financial Statements 25-26
	Reporting When One Period Is Audited 27-28
	Reporting on Financial Statements that Previously Did Not Omit Substantially All Disclosures 29-30
	Change of Status—Public/Nonpublic Entity 31-32
	Transition 33-35
	Effective Date 36
300	Compilation Reports on Financial Statements Included in Certain Prescribed Forms 01-05
400	Communications Between Predecessor and Successor Accountants
	Inquiries Regarding Acceptance of an Engagement 03-06
	Other Inquiries 07-09
	Financial Statements Reported on by Predecessor Accountant 10
500	Reporting on Compiled Financial Statements
	Effective Date 03

»»» → *The next page is 3311.* ← «««

AR Section 100***Compilation and Review
of Financial Statements***

Issue date, unless
otherwise indicated:
December, 1978

.01 This statement defines the *compilation of financial statements* and the *review of financial statements* of a nonpublic entity and provides guidance to accountants concerning the standards and procedures applicable to such engagements.¹ The accountant is required to issue a report whenever he completes a compilation or review of the financial statements of a nonpublic entity in compliance with the provisions of this statement. The accountant should not issue any report on the unaudited financial statements of a nonpublic entity or submit such financial statements to his client or others unless he complies with the provisions of this statement.

.02 The statement recognizes that accountants may perform other accounting services either in connection with the compilation or review of financial statements or as a separate service. The statement distinguishes such services from a compilation and from a review. The statement does not establish standards or procedures for such other accounting services, examples of which follow:

- a. Preparing a working trial balance.
- b. Assisting in adjusting the books of account.
- c. Consulting on accounting, tax, and similar matters.
- d. Preparing tax returns.
- e. Providing various manual or automated bookkeeping or data processing services unless the output is in the form of financial statements.
- f. Processing financial data for clients of other accounting firms.

General

.03 This statement provides guidance considered necessary to enable the accountant to comply with the general standards of the profession set forth in rule 201 [ET section 201.01] of the rules of conduct of the AICPA Code of Professional Ethics (see Appendix E) in the context of a compilation engagement or a review engagement and establishes additional standards deemed appropriate for such engagements.

¹ Statements on auditing standards provide guidance to the accountant who performs services in connection with the unaudited financial statements of a public entity.

Definitions

.04 Certain terms are defined for purposes of this statement as follows:

Nonpublic entity. A nonpublic entity is any entity other than (a) one whose securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market, including securities quoted only locally or regionally, (b) one that makes a filing with a regulatory agency in preparation for the sale of any class of its securities in a public market, or (c) a subsidiary, corporate joint venture, or other entity controlled by an entity covered by (a) or (b). [As amended, October, 1979 by Statement on Standards for Accounting and Review Services No. 2.] (See section 200.)

Financial statement. A presentation of financial data, including accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with generally accepted accounting principles or a comprehensive basis of accounting other than generally accepted accounting principles.³ Financial forecasts, projections and similar presentations, and financial presentations included in tax returns are not financial statements for purposes of this statement. The following financial presentations are examples of financial statements:⁴

- Balance sheet.
- Statement of income.
- Statement of retained earnings.
- Statement of changes in financial position.
- Statement of changes in owners' equity.
- Statement of assets and liabilities (with or without owners' equity accounts).
- Statement of revenue and expenses.
- Summary of operations.
- Statement of operations by product lines.
- Statement of cash receipts and disbursements.

A financial statement may be, for example, that of a corporation, a consolidated group of corporations, a combined group of affiliated entities, a not-for-profit organization, a government unit, an estate or trust, a partnership, a proprietorship, a segment of any of these, or an individual. The method of preparation (for example, manual or computer preparation) is not relevant to the definition of a financial statement.

[2] Footnote deleted.

³ The term *comprehensive basis of accounting other than generally accepted accounting principles* is defined in SAS no. 14, paragraph 4 [AU section 621.04]. Hereafter, reference to generally accepted accounting principles in this statement includes, where applicable, another comprehensive basis of accounting.

⁴ SAS no. 14, paragraph 7 [AU section 621.07], provides guidance with respect to suitable titles for financial statements that are prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles.

Compilation of financial statements. Presenting in the form of financial statements⁵ information that is the representation of management (owners) without undertaking to express any assurance on the statements. (The accountant might consider it necessary to perform other accounting services to enable him to compile financial statements. See paragraph .11.)

Review of financial statements. Performing inquiry and analytical procedures that provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the statements in order for them to be in conformity with generally accepted accounting principles or, if applicable, with another comprehensive basis of accounting. (The accountant might consider it necessary to compile the financial statements or to perform other accounting services to enable him to perform a review. See paragraph .28.)

The objective of a review differs significantly from the objective of a compilation. The inquiry and analytical procedures performed in a review should provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements. No expression of assurance is contemplated in a compilation.

The objective of a review also differs significantly from the objective of an examination of financial statements in accordance with generally accepted auditing standards. The objective of an audit is to provide a reasonable basis for expressing an opinion regarding the financial statements taken as a whole. A review does not provide a basis for the expression of such an opinion because a review does not contemplate a study and evaluation of internal accounting control, tests of accounting records and of responses to inquiries by obtaining corroborating evidential matter through inspection, observation or confirmation, and certain other procedures ordinarily performed during an audit. A review may bring to the accountant's attention significant matters affecting the financial statements, but it does not provide assurance that the accountant will become aware of all significant matters that would be disclosed in an audit.

The Accountant's Reporting Obligation

.05 Management, shareholders, credit grantors, and others who use financial statements should be able to readily identify the degree of responsibility, if any, the accountant is taking with respect to such financial statements. A written report is recognized by users of financial statements as the vehicle by which an accountant indicates that responsibility. Accordingly, whenever an accountant compiles or reviews financial statements of a nonpublic entity, he should issue a report prepared in accordance with the applicable standards in this statement. However, when the accountant

⁵ Paragraphs .19-.21 of this statement provide guidance to the accountant engaged to compile financial statements that omit substantially all of the disclosures required by generally accepted accounting principles or another comprehensive basis of accounting.

performs more than one service (for example, a compilation and an audit), he should issue the report that is appropriate for the highest level of service rendered.*

.06 An accountant should not consent to the use of his name in a document or written communication containing unaudited financial statements of a nonpublic entity unless (a) he has compiled or reviewed the financial statements and his report accompanies them, or (b) the financial statements are accompanied by an indication that the accountant has not compiled or reviewed the financial statements and that he assumes no responsibility for them. If an accountant becomes aware that his name has been used improperly in any client-prepared document containing unaudited financial statements, he should advise his client that the use of his name is inappropriate and should consider what other actions might be appropriate, including consultation with his attorney.

.07 The accountant should not submit unaudited financial statements of a nonpublic entity to his client or others unless, as a minimum, he complies with the provisions of this statement applicable to a compilation engagement. This precludes the accountant from merely typing or reproducing financial statements as an accommodation to his client.

Understanding With the Entity

.08 The accountant should establish an understanding with the entity, preferably in writing, regarding the services to be performed. The understanding should include a description of the nature and limitations of the services to be performed and a description of the report the accountant expects to render. The understanding should also provide (a) that the engagement cannot be relied upon to disclose errors, irregularities, or illegal acts and (b) that the accountant will inform the entity of any such matters that come to his attention. Examples of engagement letters are presented in Appendices B and C.

Compilation of Financial Statements

.09 Paragraphs .10-.22 provide additional guidance applicable to a compilation of financial statements.

.10 The accountant should possess a level of knowledge of the accounting principles and practices of the industry in which the entity operates that will enable him to compile financial statements that are appropriate in form for an entity operating in that industry.⁶ This standard does not prevent an

* SSARS 3 [section 300] permits an accountant who has reviewed the financial statements of a nonpublic entity to issue a compilation report on financial statements for the same period that are included in a prescribed form that calls for departure from generally accepted accounting principles. [As amended, December, 1981 by Statement on Standards for Accounting and Review Services No. 3.] (See section 300.)

⁶ For purposes of this statement, the term *industry* includes not-for-profit activities.

accountant from accepting a compilation engagement for an entity in an industry with which the accountant has no previous experience. It does, however, place upon him a responsibility to obtain the required level of knowledge. He may do so, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, or individuals knowledgeable about the industry.

.11 To compile financial statements, the accountant should possess a general understanding of the nature of the entity's business transactions, the form of its accounting records, the stated qualifications of its accounting personnel, the accounting basis on which the financial statements are to be presented, and the form and content of the financial statements. The accountant ordinarily obtains knowledge of these matters through experience with the entity or inquiry of the entity's personnel. On the basis of that understanding, the accountant should consider whether it will be necessary to perform other accounting services, such as assistance in adjusting the books of account or consultation on accounting matters, when he compiles financial statements.

.12 The accountant is not required to make inquiries or perform other procedures to verify, corroborate, or review information supplied by the entity. However, the accountant may have made inquiries or performed other procedures (see paragraphs .02 and .11). The results of such inquiries or procedures, knowledge gained from prior engagements, or the financial statements on their face may cause the accountant to become aware that information supplied by the entity is incorrect, incomplete, or otherwise unsatisfactory for the purpose of compiling financial statements. (However, see paragraphs .19-21 for guidance when management elects to omit substantially all of the disclosures required by generally accepted accounting principles.) In such circumstances, the accountant should obtain additional or revised information. If the entity refuses to provide additional or revised information, the accountant should withdraw from the compilation engagement. (See paragraphs .39-41 for the accountant's responsibilities when he is aware of departures from generally accepted accounting principles.)

.13 Before issuing his report, the accountant should read the compiled financial statements and consider whether such financial statements appear to be appropriate in form and free from obvious material errors. In this context, the term *error* refers to mistakes in the compilation of financial statements, including arithmetical or clerical mistakes, and mistakes in the application of accounting principles, including inadequate disclosure.

Reporting on the Financial Statements

.14 Financial statements compiled without audit or review by an accountant should be accompanied by a report stating that—

- a. A compilation has been performed in accordance with standards established by the American Institute of Certified Public Accountants.

- b. A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners).
- c. The financial statements have not been audited or reviewed and, accordingly, the accountant does not express an opinion or any other form of assurance on them.

Any other procedures that the accountant might have performed before or during the compilation engagement should not be described in his report.

[As amended, effective for compilations of financial statements for periods ending on or after December 31, 1982, by Statement on Standards for Accounting and Review Services No. 5.] (See section 500.)

.15 The date of completion of the compilation should be used as the date of the accountant's report.

.16 Each page of the financial statements compiled by the accountant should include a reference such as "See Accountant's Compilation Report."

.17 The following form of standard report is appropriate for a compilation:

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

[As amended, effective for compilations of financial statements for periods ending on or after December 31, 1982, by Statement on Standards for Accounting and Review Services No. 5.] (See section 500.)

.18 An accountant may be asked to issue a compilation report on one financial statement, such as a balance sheet, and not on other related financial statements, such as the statements of income, retained earnings, and changes in financial position. This statement does not preclude the accountant from doing so. Also, an accountant may be asked to compile financial statements included in a prescribed form that calls for departure from generally accepted accounting principles. SSARS 3 [section 300] provides additional guidance, including an alternative form of standard report, applicable to such compilation engagements. [As amended, December, 1981 by Statement on Standards for Accounting and Review Services No. 3.] (See section 300.)

Reporting on Financial Statements That Omit Substantially All Disclosures

.19 An entity may request an accountant to compile financial statements that omit substantially all of the disclosures required by generally accepted

accounting principles, including disclosures that might appear in the body of the financial statements.⁷ (As previously noted, reference to generally accepted accounting principles in this statement includes, where applicable, another comprehensive basis of accounting.) The accountant may compile such financial statements provided the omission of substantially all disclosures is clearly indicated in his report and is not, to his knowledge, undertaken with the intention of misleading those who might reasonably be expected to use such financial statements. When the entity wishes to include disclosures about only a few matters in the form of notes to such financial statements, such disclosures should be labeled "Selected Information—Substantially All Disclosures Required by Generally Accepted Accounting Principles Are Not Included."

.20 Notwithstanding the above, if financial statements compiled in conformity with a comprehensive basis of accounting other than generally accepted accounting principles do not include disclosure of the basis of accounting used, the basis should be disclosed in the accountant's report.

.21 When financial statements that the accountant has compiled omit substantially all disclosures, the following form of standard report is appropriate:

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures (and the statement of changes in financial position) required by generally accepted accounting principles.⁸ If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about such matters.

[As amended, effective for compilations of financial statements for periods ending on or after December 31, 1982, by Statement on Standards for Accounting and Review Services No. 5.] (See section 500.)

⁷ See paragraphs .39-.41 for the accountant's responsibilities when he is aware of other departures from generally accepted accounting principles. However, see SSARS 3 [section 300] for guidance when such financial statements are included in a prescribed form and the prescribed form or related instructions do not request the disclosures required by generally accepted accounting principles. [As amended, December, 1981 by Statement on Standards for Accounting and Review Services No. 3.] (See section 300.)

⁸ If the statement of changes in financial position is omitted, the first and third paragraphs of the report should be modified accordingly.

Reporting When the Accountant Is Not Independent

.22 An accountant is not precluded from issuing a report with respect to his compilation of financial statements for an entity with respect to which he is not independent.⁹ If the accountant is not independent, he should specifically disclose the lack of independence. However, the reason for the lack of independence should not be described. When the accountant is not independent, he should include the following as the last paragraph of his report:

I am (we are) not independent with respect to XYZ Company.

Review of Financial Statements

.23 Paragraphs .24-.38 provide additional guidance applicable to a review of financial statements.

.24 The accountant should possess a level of knowledge of the accounting principles and practices of the industry in which the entity operates and an understanding of the entity's business¹⁰ that will provide him, through the performance of inquiry and analytical procedures, with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles. (As previously noted, reference to generally accepted accounting principles in this statement includes, where applicable, another comprehensive basis of accounting.)

.25 The requirement that the accountant possess a level of knowledge of the accounting principles and practices of the industry in which the entity operates does not prevent an accountant from accepting a review engagement for an entity in an industry with which the accountant has no previous experience. It does, however, place upon the accountant a responsibility to obtain the required level of knowledge. He may do so, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, or individuals knowledgeable about the industry.

.26 The accountant's understanding of the entity's business should include a general understanding of the entity's organization, its operating characteristics, and the nature of its assets, liabilities, revenues, and expenses. This would ordinarily involve a general knowledge of the entity's production, distribution, and compensation methods, types of products and services, operating locations, and material transactions with related parties. An accountant's understanding of an entity's business is ordinarily obtained

⁹ In making a judgment about whether he is independent, the accountant should be guided by the AICPA Code of Professional Ethics. For example, the accountant should be aware that interpretation 101-3 under rule 101 [ET section 101.04] of the rules of conduct indicates that independence is not necessarily impaired when an accountant provides manual or automated bookkeeping or data processing services to a client.

¹⁰ For purposes of this statement, the term *business* includes not-for-profit entities.

through experience with the entity or its industry and inquiry of the entity's personnel.

.27 The accountant's inquiry and analytical procedures should ordinarily consist of the following:

a. Inquiries concerning the entity's accounting principles and practices and the methods followed in applying them (see Appendix A).

b. Inquiries concerning the entity's procedures for recording, classifying, and summarizing transactions, and accumulating information for disclosure in the financial statements (see Appendix A).

c. Analytical procedures designed to identify relationships and individual items that appear to be unusual. For the purposes of this statement, analytical procedures consist of (1) comparison of the financial statements with statements for comparable prior period(s), (2) comparison of the financial statements with anticipated results, if available (for example, budgets and forecasts), and (3) study of the relationships of the elements of the financial statements that would be expected to conform to a predictable pattern based on the entity's experience. In applying these procedures, the accountant should consider the types of matters that required accounting adjustments in preceding periods. Examples of relationships of elements in financial statements that would be expected to conform to a predictable pattern may be the relationships between changes in sales and changes in accounts receivable and expense accounts that ordinarily fluctuate with sales, and between changes in property, plant, and equipment and changes in depreciation expense and other accounts that may be affected, such as maintenance and repairs.

d. Inquiries concerning actions taken at meetings of stockholders, board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements.

e. Reading the financial statements to consider, on the basis of information coming to the accountant's attention, whether the financial statements appear to conform with generally accepted accounting principles.

f. Obtaining reports from other accountants, if any, who have been engaged to audit or review the financial statements of significant components of the reporting entity, its subsidiaries, and other investees.¹¹

g. Inquiries of persons having responsibility for financial and accounting matters concerning (1) whether the financial statements have been prepared in conformity with generally accepted accounting

¹¹ The financial statements of the reporting entity ordinarily include an accounting for all significant components, such as unconsolidated subsidiaries and investees. If other accountants are engaged to audit or review the financial statements of such components, the accountant will require reports from other accountants as a basis, in part, for his report on his review of the financial statements of the reporting entity. The accountant may decide to make reference to the work of other accountants in his review report on the financial statements. If such reference is made, the report should indicate the magnitude of the portion of the financial statements audited or reviewed by the other accountants.

principles consistently applied, (2) changes in the entity's business activities or accounting principles and practices, (3) matters as to which questions have arisen in the course of applying the foregoing procedures, and (4) events subsequent to the date of the financial statements that would have a material effect on the financial statements.

.28 Knowledge acquired in the performance of audits of the entity's financial statements, compilation of the financial statements, or other accounting services may result in modification of the review procedures described in the preceding paragraph. However, such modification would not reduce the degree of responsibility the accountant assumes with respect to the financial statements he has reviewed.

.29 A review does not contemplate a study and evaluation of internal accounting control, tests of accounting records and of responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an audit. Thus, a review does not provide assurance that the accountant will become aware of all significant matters that would be disclosed in an audit. However, if the accountant becomes aware that information coming to his attention is incorrect, incomplete, or otherwise unsatisfactory, he should perform the additional procedures he deems necessary to achieve limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with generally accepted accounting principles. (See paragraph .36 for guidance when an accountant is unable to complete a review and paragraphs .39-.41 for the accountant's responsibilities when he is aware of departures from generally accepted accounting principles.)

.30 Although it is not possible to specify the form or content of the working papers that an accountant should prepare in connection with a review of financial statements because of the different circumstances of individual engagements, the accountant's working papers should describe—

a. The matters covered in the accountant's inquiry and analytical procedures.

b. Unusual matters that the accountant considered during the performance of the review, including their disposition.

.31 The accountant may wish to obtain a representation letter from the owner, manager, or chief executive officer, and, if appropriate, the chief financial officer. An example of a representation letter is presented in Appendix D.

Reporting on the Financial Statements

.32 Financial statements reviewed by an accountant should be accompanied by a report stating that—

a. A review was performed in accordance with standards established by the American Institute of Certified Public Accountants.

b. All information included in the financial statements is the representation of the management (owners) of the entity.

c. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data.

d. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole and, accordingly, no such opinion is expressed.

e. The accountant is not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles, other than those modifications, if any, indicated in his report.

Any other procedures that the accountant might have performed before or during the review engagement, including those performed in connection with a compilation of the financial statements, should not be described in his report.

.33 The date of completion of the accountant's inquiry and analytical procedures should be used as the date of his report.

.34 Each page of the financial statements reviewed by the accountant should include a reference such as "See Accountant's Review Report."

.35 The following form of standard report is appropriate for a review.¹²

I (we) have reviewed the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management (owners) of XYZ Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I (we) do not express such an opinion.

Based on my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

.36 When an accountant is unable to perform the inquiry and analytical procedures he considers necessary to achieve the limited assurance contemplated by a review, his review will be incomplete. A review that is incomplete is not an adequate basis for issuing a review report. In such a situation, the accountant should consider whether the circumstances resulting in an incomplete review also preclude him from issuing a compilation report on the entity's financial statements. In making that judgment, the accountant should consider matters similar to those discussed in paragraphs .44-.49.

.37 An accountant may be asked to issue a review report on one financial statement, such as a balance sheet, and not on other related financial

¹² See paragraphs .39-.41 for the accountant's responsibilities when he is aware of departures from generally accepted accounting principles.

statements, such as the statements of income, retained earnings, and changes in financial position. He may do so if the scope of his inquiry and analytical procedures has not been restricted.

.38 An accountant is precluded from issuing a review report on the financial statements of an entity with respect to which he is not independent.¹³ If the accountant is not independent, he may issue a compilation report provided he complies with the compilation standards.

Departures From Generally Accepted Accounting Principles

.39 An accountant who is engaged to compile or review financial statements may become aware of a departure from generally accepted accounting principles (which include adequate disclosure) that is material to the financial statements. (As noted previously, reference in this statement to generally accepted accounting principles includes, where applicable, another comprehensive basis of accounting.) Paragraphs .19-.21 provide guidance to the accountant when the departure relates to the omission of substantially all disclosures in the financial statements he has compiled. SSARS 3 [section 300] provides guidance when the departure is called for by a prescribed form or related instructions. In all other circumstances, if the financial statements are not revised, the accountant should consider whether modification of his standard report is adequate to disclose the departure. [As amended, December, 1981 by Statement on Standards for Accounting and Review Services No. 3.] (See section 300.)

.40 If the accountant concludes that modification of his standard report is appropriate,¹⁴ the departure should be disclosed in a separate paragraph of his report, including disclosure of the effects of the departure on the financial statements if such effects have been determined by management or are known as the result of the accountant's procedures. The accountant is not required to determine the effects of a departure if management has not done so, provided the accountant states in his report that such determination has not been made. Examples of compilation and review reports that disclose departures from generally accepted accounting principles follow.

Compilation Report

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and

¹³ See footnote 9.

¹⁴ Normally, neither an uncertainty nor an inconsistency in the application of accounting principles would cause the accountant to modify the standard report provided the financial statements appropriately disclose such matters. Nothing in this statement, however, is intended to preclude an accountant from emphasizing in a separate paragraph of his report a matter regarding the financial statements.

changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. However, I (we) did become aware of a departure (certain departures) from generally accepted accounting principles that is (are) described in the following paragraph(s).

(Separate paragraph)

As disclosed in note X to the financial statements, generally accepted accounting principles require that land be stated at cost. Management has informed me (us) that the company has stated its land at appraised value and that, if generally accepted accounting principles had been followed, the land account and stockholders' equity would have been decreased by \$500,000.

or

A statement of changes in financial position for the year ended December 31, 19XX, has not been presented. Generally accepted accounting principles require that such a statement be presented when financial statements purport to present financial position and results of operations.¹⁵

Review Report

I (we) have reviewed the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management (owners) of XYZ Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I (we) do not express such an opinion.

Based on my (our) review, with the exception of the matter(s) described in the following paragraph(s), I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

(Separate paragraph)

As disclosed in note X to the financial statements, generally accepted accounting principles require that inventory cost consist of material, labor, and overhead. Management has informed me (us) that the inventory of finished goods and work in process is stated in the accompanying financial statements at

¹⁵ If a statement of changes in financial position is not presented, the first paragraph of the compilation or review report should be modified accordingly.

material and labor cost only, and that the effects of this departure from generally accepted accounting principles on financial position, results of operations, and changes in financial position have not been determined.

or

As disclosed in note X to the financial statements, the company has adopted (description of newly adopted method), whereas it previously used (description of previous method). Although the (description of newly adopted method) is in conformity with generally accepted accounting principles, the company does not appear to have reasonable justification for making a change as required by Opinion no. 20 of the Accounting Principles Board.

[As amended, effective for compilations of financial statements for periods ending on or after December 31, 1982, by Statement on Standards for Accounting and Review Services No. 5.] (See section 500.)

.41 If the accountant believes that modification of his standard report is not adequate to indicate the deficiencies in the financial statements taken as a whole, he should withdraw from the compilation or review engagement and provide no further services with respect to those financial statements. The accountant may wish to consult with his legal counsel in those circumstances.

Subsequent Discovery of Facts Existing at Date of Report

.42 Subsequent to the date of the report on the financial statements that the accountant has compiled or reviewed, he may become aware that facts may have existed at that date which might have caused him to believe that information supplied by the entity was incorrect, incomplete, or otherwise unsatisfactory had he then been aware of such facts. In such circumstances, the accountant may wish to consider the guidance in section 561 of Statement on Auditing Standards no. 1 [AU section 561] in determining an appropriate course of action, giving due consideration to the different objectives of compilation, review, and audit engagements. Because of the legal implications involved in actions contemplated under section 561 of SAS no. 1 [AU section 561], the accountant should consider consulting with his attorney.

Supplementary Information

.43 When the basic financial statements are accompanied by information presented for supplementary analysis purposes, the accountant should clearly indicate the degree of responsibility, if any, he is taking with respect to such information. When the accountant has reviewed the basic financial statements, this may be accomplished by an explanation in his review report, or in a separate report on the other data, that the review has been made primarily for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles, and either

a. The other data accompanying the financial statements are presented only for supplementary analysis purposes and have been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and the accountant did not become aware of any material modifications that should be made to such data, or

b. The other data accompanying the financial statements are presented only for supplementary analysis purposes and have not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review, and the accountant does not express an opinion or any other form of assurance on such data.

When the accountant has compiled both the basic financial statements and other data presented only for supplementary analysis purposes, his compilation report should also include the other data.

Change in Engagement From Audit to Review or Compilation

.44 An accountant who has been engaged to examine the financial statements of a nonpublic entity in accordance with generally accepted auditing standards may, before the completion of his examination, be requested to change the engagement to a review or compilation of financial statements. A request to change the engagement may result from a change in circumstances affecting the entity's requirement for an audit, a misunderstanding as to the nature of an audit or the alternative review or compilation services originally available, or a restriction on the scope of the examination, whether imposed by the client or caused by circumstances.

.45 Before an accountant who was engaged to perform an examination in accordance with generally accepted auditing standards agrees to change the engagement to a review or compilation, at least the following should be considered:

a. The reason given for the client's request, particularly the implications of a restriction on the scope of the examination, whether imposed by the client or by circumstances.

b. The additional audit effort required to complete the examination.

c. The estimated additional cost to complete the examination.

.46 A change in circumstances that affects the entity's requirement for an audit or a misunderstanding concerning the nature of an audit or the alternative review or compilation services originally available would ordinarily be considered a reasonable basis for requesting a change in the engagement.

.47 In considering the implications of a restriction on the scope of the examination, the accountant should evaluate the possibility that information affected by the scope restriction may be incorrect, incomplete, or otherwise unsatisfactory. Nevertheless, when the accountant has been prohibited by the

client from corresponding with the entity's legal counsel, or when management (owners) has refused to sign a client representation letter, the accountant ordinarily would be precluded from issuing a review or compilation report on the financial statements.

.48 In all circumstances, if the auditing procedures are substantially complete or the cost to complete such procedures is relatively insignificant, the accountant should consider the propriety of accepting a change in the engagement.

.49 If the accountant concludes, based upon his professional judgment, that there is reasonable justification to change the engagement and if he complies with the standards applicable to the changed engagement, he should issue an appropriate review or compilation report. The report should not include reference to (a) the original engagement, (b) any auditing procedures that may have been performed, or (c) scope limitations that resulted in the changed engagement.

Comparative Financial Statements

[.50] [Superseded by Statement on Standards for Accounting and Review Services No. 2, effective for reports on comparative financial Statements for periods ending on or after November 30, 1979.] (See section 200.)

Effective Date

.51 This statement will be effective for compilations and reviews of financial statements for periods ending on or after July 1, 1979.

[16] Footnote deleted.

APPENDIX A**Review of Financial Statements—Illustrative Inquiries****.52**

The inquiries to be made in a review of financial statements are a matter of the accountant's judgment. In determining his inquiries, an accountant may consider (a) the nature and materiality of the items, (b) the likelihood of misstatement, (c) knowledge obtained during current and previous engagements, (d) the stated qualifications of the entity's accounting personnel, (e) the extent to which a particular item is affected by management's judgment, and (f) inadequacies in the entity's underlying financial data. The following list of inquiries is for illustrative purposes only. The inquiries do not necessarily apply to every engagement, nor are they meant to be all-inclusive. This list is not intended to serve as a program or checklist in the conduct of a review; rather it describes the general areas in which inquiries might be made. For example, the accountant may feel it is necessary to make several inquiries to answer one of the questions listed below, such as item 3(a).

1. General

- a. What are the procedures for recording, classifying, and summarizing transactions (relates to each section discussed below)?
- b. Do the general ledger control accounts agree with subsidiary records (for example, receivables, inventories, investments, property and equipment, accounts payable, accrued expenses, non-current liabilities)?
- c. Have accounting principles been applied on a consistent basis?

2. Cash

- a. Have bank balances been reconciled with book balances?
- b. Have old or unusual reconciling items between bank balances and book balances been reviewed and adjustments made where necessary?
- c. Has a proper cutoff of cash transactions been made?
- d. Are there any restrictions on the availability of cash balances?
- e. Have cash funds been counted and reconciled with control accounts?

3. Receivables

- a. Has an adequate allowance been made for doubtful accounts?
- b. Have receivables considered uncollectible been written off?
- c. If appropriate, has interest been reflected?
- d. Has a proper cutoff of sales transactions been made?
- e. Are there any receivables from employees and related parties?
- f. Are any receivables pledged, discounted, or factored?
- g. Have receivables been properly classified between current and noncurrent?

4. Inventories

- a. Have inventories been physically counted? If not, how have inventories been determined?
- b. Have general ledger control accounts been adjusted to agree with physical inventories?
- c. If physical inventories are taken at a date other than the balance sheet date, what procedures were used to record changes in inventory between the date of the physical inventory and the balance sheet date?
- d. Were consignments in or out considered in taking physical inventories?
- e. What is the basis of valuation?
- f. Does inventory cost include material, labor, and overhead where applicable?
- g. Have write-downs for obsolescence or cost in excess of net realizable value been made?
- h. Have proper cutoffs of purchases, goods in transit, and returned goods been made?
- i. Are there any inventory encumbrances?

5. Prepaid Expenses

- a. What is the nature of the amounts included in prepaid expenses?
- b. How are these amounts amortized?

6. Investments, Including Loans, Mortgages, and Intercorporate Investments

- a. Have gains and losses on disposal been reflected?
- b. Has investment income been reflected?
- c. Has appropriate consideration been given to the classification of investments between current and noncurrent, and the difference between the cost and market value of investments?
- d. Have consolidation or equity accounting requirements been considered?
- e. What is the basis of valuation of marketable equity securities?
- f. Are investments unencumbered?

7. Property and Equipment

- a. Have gains or losses on disposal of property or equipment been reflected?
- b. What are the criteria for capitalization of property and equipment? Have such criteria been applied during the fiscal period?
- c. Does the repairs and maintenance account only include items of an expense nature?
- d. Are property and equipment stated at cost?
- e. What are the depreciation methods and rates? Are they appropriate and consistent?

- f.* Are there any unrecorded additions, retirements, abandonments, sales, or trade-ins?
 - g.* Does the entity have material lease agreements? Have they been properly reflected?
 - h.* Is any property or equipment mortgaged or otherwise encumbered?
8. Other Assets
- a.* What is the nature of the amounts included in other assets?
 - b.* Do these assets represent costs that will benefit future periods? What is the amortization policy? Is it appropriate?
 - c.* Have other assets been properly classified between current and noncurrent?
 - d.* Are any of these assets mortgaged or otherwise encumbered?
9. Accounts and Notes Payable and Accrued Liabilities
- a.* Have all significant payables been reflected?
 - b.* Are all bank and other short-term liabilities properly classified?
 - c.* Have all significant accruals, such as payroll, interest, and provisions for pension and profit-sharing plans been reflected?
 - d.* Are there any collateralized liabilities?
 - e.* Are there any payables to employees and related parties?
10. Long-Term Liabilities
- a.* What are the terms and other provisions of long-term liability agreements?
 - b.* Have liabilities been properly classified between current and non-current?
 - c.* Has interest expense been reflected?
 - d.* Has there been compliance with restrictive covenants of loan agreements?
 - e.* Are any long-term liabilities collateralized or subordinated?
11. Income and Other Taxes
- a.* Has provision been made for current and prior-year federal income taxes payable?
 - b.* Have any assessments or reassessments been received? Are there tax examinations in process?
 - c.* Are there timing differences? If so, have deferred taxes been reflected?
 - d.* Has provision been made for state and local income, franchise, sales, and other taxes payable?
12. Other Liabilities, Contingencies, and Commitments
- a.* What is the nature of the amounts included in other liabilities?
 - b.* Have other liabilities been properly classified between current and noncurrent?

- c. Are there any contingent liabilities, such as discounted notes, drafts, endorsements, warranties, litigation, and unsettled asserted claims? Are there any unasserted potential claims?
 - d. Are there any material contractual obligations for construction or purchase of real property and equipment and any commitments or options to purchase or sell company securities?
- 13. Equity
 - a. What is the nature of any changes in equity accounts?
 - b. What classes of capital stock have been authorized?
 - c. What is the par or stated value of the various classes of stock?
 - d. Do amounts of outstanding shares of capital stock agree with subsidiary records?
 - e. Have capital stock preferences, if any been disclosed?
 - f. Have stock options been granted?
 - g. Has the entity made any acquisitions of its own capital stock?
 - h. Are there any restrictions on retained earnings or other capital?
- 14. Revenue and Expenses
 - a. Are revenues from the sale of major products and services recognized in the appropriate period?
 - b. Are purchases and expenses recognized in the appropriate period and properly classified?
 - c. Do the financial statements include discontinued operations or items that might be considered extraordinary?
- 15. Other
 - a. Are there any events that occurred after the end of the fiscal period that have a significant effect on the financial statements?
 - b. Have actions taken at stockholder, board of directors, or comparable meetings that affect the financial statements been reflected?
 - c. Have there been any material transactions between related parties?
 - d. Are there any material uncertainties? Is there any change in the status of material uncertainties previously disclosed?

APPENDIX B**Compilation of Financial Statements—Illustrative Engagement Letter**

.53

(Appropriate Salutation)

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

1. We will compile, from information you provide, the annual and interim balance sheets and related statements of income, retained earnings, and changes in financial position of XYZ Company for the year 19XX. We will not audit or review such financial statements. Our report on the annual financial statements of XYZ Company is presently expected to read as follows:

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Our report on your interim financial statements, which statements will omit substantially all disclosures, will include an additional paragraph that will read as follows:

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about such matters.

If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

2. We will also . . . (discussion of other services).

Our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations, that may exist. However, we will inform you of any such matters that come to our attention.

Our fees for these services. . . .

We shall be pleased to discuss this letter with you at any time.

If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.*

Sincerely yours,

(Signature of accountant)

Acknowledge:
XYZ Company

President

Date

[As amended, effective for compilations of financial statements for periods ending on or after December 31, 1982, by Statement on Standards for Accounting and Review Services No. 5.] (See section 500.)

* Some accountants prefer not to obtain an acknowledgment, in which case their letter would omit the paragraph beginning "If the foregoing . . ." and the spaces for the acknowledgment. The first paragraph of their letter might begin as follows: "This letter sets forth our understanding of the terms and objectives of our engagement. . . ."

APPENDIX C**Review of Financial Statements—Illustrative
Engagement Letter****.54**

(Appropriate Salutation)

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

1. We will review the balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. We will not perform an audit of such financial statements, the objective of which is the expression of an opinion regarding the financial statements taken as a whole, and, accordingly, we will not express such an opinion on them. Our report on the financial statements is presently expected to read as follows:

We have reviewed the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of XYZ Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

If, for any reason, we are unable to complete our review of your financial statements, we will not issue a report on such statements as a result of this engagement.

2. We will also . . . (discussion of other services).

Our engagement cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations, that may exist. However, we will inform you of any such matters that come to our attention.

Our fees for these services. . . .

We shall be pleased to discuss this letter with you at any time.

If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.*

Sincerely yours,

(Signature of accountant)

Acknowledge:
XYZ Company

President

Date

* Some accountants prefer not to obtain an acknowledgment, in which case their letter would omit the paragraph beginning "If the foregoing . . ." and the spaces for the acknowledgment. The first paragraph of their letter might begin as follows: "This letter sets forth our understanding of the terms and objectives of our engagement. . . ."

APPENDIX D**Review of Financial Statements—Illustrative
Representation Letter****.55**

A review of financial statements consists principally of inquiries of company personnel and analytical procedures applied to financial data. Because a review does not contemplate tests of accounting records and of responses to inquiries by obtaining corroborating evidential matter, among other things, the accountant may consider it advisable to obtain a written representation from his client to confirm the oral representations made to him. The following representation letter is included for illustrative purposes only. The accountant may decide, based on the circumstances of his review engagement, that other matters should be specifically included in the letter and that some of the representations included in the illustrative letter are not necessary.

(Date of Accountant's Report)

(To the Accountant)

In connection with your review of the (identification of financial statements) of (name of client) as of (date) and for the (period of review) for the purpose of expressing limited assurance that there are no material modifications that should be made to the statements in order for them to be in conformity with generally accepted accounting principles, we confirm, to the best of our knowledge and belief, the following representations made to you during your review.

1. The financial statements referred to above present the financial position, results of operations, and changes in financial position of (name of client) in conformity with generally accepted accounting principles. In that connection, we specifically confirm that—
 - a. The company's accounting principles, and the practices and methods followed in applying them, are as disclosed in the financial statements.
 - b. There have been no changes during the (period reviewed) in the company's accounting principles and practices.
 - c. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
 - d. There are no material transactions that have not been properly reflected in the financial statements.
 - e. There are no material losses (such as from obsolete inventory or purchase or sales commitments) that have not been properly accrued or disclosed in the financial statements.

- f.* There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, and there are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.
 - g.* The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
 - h.* There are no related party transactions or related amounts receivable or payable that have not been properly disclosed in the financial statements.
 - i.* We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 - j.* No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.
2. We have advised you of all actions taken at meetings of stockholders, board of directors, and committees of the board of directors (or other similar bodies, as applicable) that may affect the financial statements.
3. We have responded fully to all inquiries made to us by you during your review.

(Name of Owner or Chief Executive
Officer and Title)

(Name of Chief Financial Officer and
Title, where applicable)

APPENDIX E

Rule 201 of the Rules of Conduct of the AICPA Code of Professional Ethics [ET section 201.01]

.56

*Rule 201—General Standards.** A member shall comply with the following general standards as interpreted by bodies designated by Council, and must justify any departures therefrom.

- A. Professional competence. A member shall undertake only those engagements which he or his firm can reasonably expect to complete with professional competence.
- B. Due professional care. A member shall exercise due professional care in the performance of an engagement.
- C. Planning and supervision. A member shall adequately plan and supervise an engagement.
- D. Sufficient relevant data. A member shall obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to an engagement.
- E. Forecasts. A member shall not permit his name to be used in conjunction with any forecast of future transactions in a manner which may lead to the belief that the member vouches for the achievability of the forecast.

→The next page is 3351.←

* The general standards of the profession are applicable to the performance of engagements in all major areas of accounting practice. However, the general standard of the profession entitled "Forecasts" is not applicable to compilation and review engagements because the scope of this statement, *Compilation and Review of Financial Statements*, does not include financial forecasts, projections, and similar presentations.

AR Section 200**Reporting on Comparative
Financial Statements**

Issue date, unless
otherwise indicated:
October, 1979

.01 This statement establishes standards for reporting on comparative financial statements¹ of a nonpublic entity when financial statements of one or more periods presented have been compiled or reviewed in accordance with SSARS 1 [section 100].²

.02 When comparative financial statements are presented, the accountant should issue an appropriate report(s) covering each period presented in accordance with the provisions of this statement.³

.03 Client-prepared financial statements of some periods that have not been audited, reviewed, or compiled may be presented on separate pages of a document that also contains financial statements of other periods on which the accountant has reported if they are accompanied by an indication by the client that the accountant has not audited, reviewed, or compiled those financial statements and that the accountant assumes no responsibility for them. Whenever the accountant becomes aware that financial statements of other periods that have not been audited, reviewed, or compiled have been presented in columnar form in a document with financial statements on which he has reported and that his name has been used or his report included in the document, he should advise his client that the use of his name or report is inappropriate and should consider what other actions might be appropriate, including consultation with his attorney.

¹ This statement supersedes Statement on Standards for Accounting and Review Services 1, paragraph 50.

² For purposes of this statement, a nonpublic entity is any entity other than (a) one whose securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market, including securities quoted only locally or regionally, (b) one that makes a filing with a regulatory agency in preparation for the sale of any class of its securities in a public market, or (c) a subsidiary, corporate joint venture, or other entity controlled by an entity covered by (a) or (b). This statement amends SSARS 1, paragraph 4 [section 100.04], by substituting the foregoing definition of a nonpublic entity. The terms *financial statements*, *compilation*, and *review* are defined in paragraph 4 of SSARS 1 [section 100.04].

³ See paragraphs .33 to .35 for guidance during the transition period when an accountant has previously issued a disclaimer of opinion in accordance with the provisions of SAS no. 26 [AU section 504]. See SSARS 3 [section 300] for additional guidance when the accountant compiles comparative financial statements included in a prescribed form that calls for departure from generally accepted accounting principles or, where applicable, from a comprehensive basis of accounting other than generally accepted accounting principles. [As amended, December, 1981 by Statement on Standards for Accounting and Review Services No. 3.] (See section 300.)

.04 An accountant may modify his report with respect to one or more financial statements for one or more periods while issuing an unmodified report on the other financial statements presented.

.05 Compiled financial statements that omit substantially all of the disclosures required by generally accepted accounting principles⁴ are not comparable to financial statements that include such disclosures. Accordingly, the accountant should not issue a report on comparative financial statements when statements for one or more, but not all, of the periods presented omit substantially all of the disclosures required by generally accepted accounting principles. (See paragraphs .29 and .30 for guidance on reporting on financial statements that previously did not omit substantially all of the disclosures required by generally accepted accounting principles.)

.06 Each page of the comparative financial statements compiled or reviewed by the accountant should include a reference such as "See Accountant's Report."

Definitions

.07 The following definitions apply for purposes of this statement:

Comparative financial statements. Financial statements of two or more periods presented in columnar form.

Continuing accountant. An accountant who has been engaged to audit, review, or compile and report on the financial statements of the current period and one or more consecutive periods immediately prior to the current period.

Updated report. A report issued by a continuing accountant that takes into consideration information that he becomes aware of during his current engagement and that reexpresses his previous conclusions or, depending on the circumstances, expresses different conclusions on the financial statements of a prior period as of the date of his current report.⁵

Reissued report. A report issued subsequent to the date of the original report that bears the same date as the original report. A reissued report may need to be revised for the effects of specific events; in these circumstances, the report should be dual-dated with the original date and a separate date that applies to the effects of such events.

Continuing Accountant's Standard Report

.08 A continuing accountant who performs the same or a higher level of service with respect to the financial statements of the current period should update his report on the financial statements of a prior period presented with

⁴For purposes of this statement, reference to generally accepted accounting principles includes, where applicable, a comprehensive basis of accounting other than generally accepted accounting principles as defined in SAS no. 14, paragraph 4 [AU section 621.04].

⁵See paragraphs 15 and 33 of SSARS 1 [sections 100.15 and 100.33].

those of the current period.⁶ A continuing accountant who performs a lower level of service with respect to the financial statements of the current period should either (a) include as a separate paragraph of his report a description of the responsibility assumed for the financial statements of the prior period (see paragraphs .11 and .12) or (b) reissue his report on the financial statements of the prior period.

.09 Examples of a continuing accountant's standard report on comparative financial statements when the same level of service has been performed for both periods are presented below:

Compilation Each Period

I (we) have compiled the accompanying balance sheets of XYZ Company as of December 31, 19X2 and 19X1, and the related statements of income, retained earnings, and changes in financial position for the years then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

February 1, 19X3

Review Each Period

I (we) have reviewed the accompanying balance sheets of XYZ Company as of December 31, 19X2 and 19X1, and the related statements of income, retained earnings, and changes in financial position for the years then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management (owners) of XYZ Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I (we) do not express such an opinion.

Based on my (our) reviews, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

March 1, 19X3

[As amended, effective for compilations of financial statements for periods ending on or after December 31, 1982, by Statement on Standards for Accounting and Review Services No. 5.] (See section 500.)

⁶ For purposes of this statement, a *review* is a higher level of service and a *compilation* is a lower level of service. When one of the periods is audited, see paragraphs .27 and .28.

.10 An example of a continuing accountant's standard report on comparative financial statements for two periods when the financial statements of the current period have been reviewed and those of the prior period have been compiled is presented below:

I (we) have reviewed the accompanying balance sheet of XYZ Company as of December 31, 19X2, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management (owners) of XYZ Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I (we) do not express such an opinion.

Based on my (our) review, I am (we are) not aware of any material modifications that should be made to the 19X2 financial statements in order for them to be in conformity with generally accepted accounting principles.

The accompanying 19X1 financial statements of XYZ Company were compiled by me (us). A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). I (we) have not audited or reviewed the 19X1 financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

March 1, 19X3

.11 A continuing accountant who performs a compilation of the current-period financial statements and has previously reviewed one or more prior-period financial statements should report as indicated in either (a) or (b) below:

a. Issue a compilation report on the current-period financial statements that includes a description of the responsibility assumed for the financial statements of the prior period. The description should include the original date of the accountant's report and should also state that he has not performed any procedures in connection with that review engagement after that date.

b. Combine his compilation report on the financial statements of the current period with his reissued review report on the financial statements of the prior period or present them separately. The combined report should state that the accountant has not performed any procedures in connection with that review engagement after the date of his review report.

.12 An example of a paragraph that may be added to a compilation report on the current-period financial statements describing the responsibilities assumed when prior-period financial statements were reviewed is presented below:

The accompanying 19X1 financial statements of XYZ Company were previously reviewed by me (us) and my (our) report dated March 1, 19X2, stated that I was (we were) not aware of any material modifications that should be made to those statements in order for them to be in conformity with generally accepted accounting principles. I (we) have not performed any procedures in connection with that review engagement after the date of my (our) report on the 19X1 financial statements.

Continuing Accountant's Changed Reference to a Departure from Generally Accepted Accounting Principles

.13 During his current engagement, the accountant should be aware that circumstances or events may affect the prior-period financial statements presented, including the adequacy of informative disclosures. The accountant should consider the effects on his report on the prior-period financial statements of circumstances or events coming to his attention.

.14 When the accountant's report on the financial statements of the prior period contains a changed reference to a departure from generally accepted accounting principles,⁷ his report should include a separate explanatory paragraph indicating—

- a. The date of the accountant's previous report.
- b. The circumstances or events that caused the reference to be changed.
- c. When applicable, that the financial statements of the prior period have been changed.

.15 The following is an example of an explanatory paragraph appropriate when an accountant's report contains a changed reference to a departure from generally accepted accounting principles:

In my (our) previous (compilation) (review) report dated March 1, 19X2, on the 19X1 financial statements, I (we) referred to a departure from generally accepted accounting principles because the company carried its land at appraised values. However, as disclosed in note X, the company has restated its 19X1 financial statements to reflect its land at cost in accordance with generally accepted accounting principles.

Predecessor's Compilation or Review Report

.16 A predecessor may reissue his report at the client's request if he is able to make satisfactory arrangements with his former client and if he complies with the provisions of paragraphs .20 to .24. However, a predecessor is not required to reissue his compilation or review report on the financial statements of a prior period. If he does not reissue his compilation or review

⁷ A changed reference includes the removal of a prior reference or the inclusion of a new reference.

report on the financial statements of a prior period, a successor should either (a) make reference to the report of the predecessor in accordance with the provisions of paragraphs .17 to .19 or (b) perform a compilation, review, or audit of the financial statements of the prior period and report on them accordingly.

Predecessor's Compilation or Review Report Not Presented

.17 When the financial statements of a prior period have been compiled or reviewed by a predecessor whose report is not presented and the successor has not compiled or reviewed those financial statements, the successor should make reference in an additional paragraph(s) of his report on the current-period financial statements to the predecessor's report on the prior-period financial statements. This reference should include the following matters:

a. A statement that the financial statements of the prior period were compiled or reviewed by another accountant (other accountants).⁹

b. The date of his (their) report.

c. A description of the standard form of disclaimer or limited assurance, as applicable, included in the report.

d. A description or a quotation of any modifications of the standard report and of any paragraphs emphasizing a matter regarding the financial statements.

.18 When the predecessor reviewed the financial statements of the prior period, an example of the last paragraph of the successor's report is as follows:

The 19X1 financial statements of XYZ Company were reviewed by other accountants whose report dated March 1, 19X2, stated that they were not aware of any material modifications that should be made to those statements in order for them to be in conformity with generally accepted accounting principles.

.19 When the predecessor compiled the financial statements of the prior period, an example of the last paragraph of the successor's report is as follows:

The 19X1 financial statements of XYZ Company were compiled by other accountants whose report dated February 1, 19X2, stated that they did not express an opinion or any other form of assurance on those statements.

Predecessor's Compilation or Review Report Reissued

.20 Before reissuing a compilation or review report on the financial statements of a prior period, a predecessor should consider whether his report is still appropriate. In making this determination, the predecessor should consider (a) the current form and manner of presentation of the prior-period financial statements, (b) subsequent events not previously known, and (c)

[§] Footnote deleted by issuance of Statement on Standards for Accounting and Review Services No. 4. (See section 400.)

⁹ The successor should not name the predecessor in his report.

changes in the financial statements that require the addition or deletion of modifications to the standard report.

.21 A predecessor should perform the following procedures before reissuing his compilation or review report on the financial statements of a prior period:

a. Read the financial statements of the current period and the successor's report.

b. Compare the prior-period financial statements with those previously issued and with those of the current period.

c. Obtain a letter from the successor that indicates whether he is aware of any matter that, in his opinion, might have a material effect on the financial statements, including disclosures, reported on by the predecessor. The predecessor should not refer in his reissued report to this letter or to the report of the successor.

.22 If a predecessor becomes aware of information, including information about events or transactions occurring subsequent to the date of his previous report, that he believes may affect the prior-period financial statements or his report on them, he should (*a*) make inquiries or perform analytical procedures similar to those he would have performed if he had been aware of such information at the date of his report on the prior-period financial statements and (*b*) perform any other procedures he considers necessary in the circumstances. For example, the predecessor may wish to discuss this information with the successor or to review the working papers of the successor as they relate to the matters affecting the prior-period financial statements. If the predecessor decides, based on the information obtained, that his report on the prior-period financial statements should be revised, he should follow the guidance in paragraphs .14, .15, .23, and .24.

.23 A predecessor's knowledge of the current affairs of his former client is obviously limited in the absence of a continuing relationship. Consequently, when reissuing his report on the prior-period financial statements, a predecessor should use the date of his previous report to avoid any implication that he has performed procedures after that date other than those described in paragraphs .20 to .22. If the predecessor revises his report or if the financial statements are restated, he should dual-date his report (for example, "March 1, 19X1, except for note X, as to which the date is March 15, 19X2"). The predecessor's responsibility for events occurring subsequent to the completion of his engagement is limited to the specific event referred to in the note or otherwise disclosed. He should also obtain a written statement from the former client setting forth the information currently acquired and its effect on the prior-period financial statements and, if applicable, expressing an understanding of its effect on the predecessor's reissued report.

.24 If a predecessor is unable to complete the procedures described in paragraphs .20 to .23, he should not reissue his report and may wish to consult with his attorney regarding the appropriate course of action.

Changed Prior-Period Financial Statements

.25 When the financial statements of the prior period have been changed, either the predecessor or the successor should report on them as restated. If the predecessor accepts the reporting obligation, he should follow the guidance in paragraphs .20 to .24. If the successor reports on the financial statements, he should comply with the compilation or review standards in SSARS 1 [section 100] (or perform an audit) with respect to such restated prior-period financial statements and report on them accordingly. If a successor reports on the restated financial statements, he should not refer in his report to the predecessor's previously issued report.

.26 If the restatement does not involve a change in accounting principles or their application (for example, the correction of an error), the accountant may wish to include an explanatory paragraph in his report with respect to the restatement, but he should not otherwise modify his standard report provided the financial statements appropriately disclose such matters.

Reporting When One Period Is Audited

.27 Notwithstanding the provisions of paragraph .08, the accountant should follow the guidance in statements on auditing standards, which provide guidance on reporting on comparative financial statements when the current-period financial statements have been audited and those for one or more prior periods have been compiled or reviewed.

.28 When the current-period financial statements of a nonpublic entity have been compiled or reviewed and those of the prior period have been audited, the accountant should issue an appropriate compilation or review report on the current-period financial statements and either (a) the report on the prior period should be reissued or (b) the report on the current period should include as a separate paragraph an appropriate description of the responsibility assumed for the financial statements of the prior period. In the latter case, the separate paragraph should indicate (a) that the financial statements of the prior period were examined previously, (b) the date of the previous report, (c) the type of opinion expressed previously, (d) if the opinion was other than unqualified, the substantive reasons therefor, and (e) that no auditing procedures were performed after the date of the previous report. An example of such a separate paragraph is the following:

The financial statements for the year ended December 31, 19X1, were examined by us (other accountants) and we (they) expressed an unqualified opinion on them in our (their) report dated March 1, 19X2, but we (they) have not performed any auditing procedures since that date.

Reporting on Financial Statements That Previously Did Not Omit Substantially All Disclosures

.29 An accountant who has compiled, reviewed, or audited financial statements that did not omit substantially all of the disclosures required by

generally accepted accounting principles may subsequently be requested to compile statements for the same period that do omit substantially all of those disclosures when they are to be presented in comparative financial statements. Notwithstanding the provisions of SSARS 1, paragraph 5 [section 100.05], in these circumstances the accountant may report on comparative compiled financial statements that omit such disclosures if he includes in his report an additional paragraph indicating the nature of the previous service rendered with respect to those financial statements and the date of his previous report.

.30 An example of a report appropriate when prior-period financial statements that omit substantially all disclosures have been compiled from previously reviewed financial statements for the same period is presented below:

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The accompanying 19X1 financial statements were compiled by me (us) from financial statements that did not omit substantially all of the disclosures required by generally accepted accounting principles and that I (we) previously reviewed as indicated in my (our) report dated March 1, 19X2.

February 1, 19X3

[As amended, effective for compilations of financial statements for periods ending on or after December 31, 1982, by Statement on Standards for Accounting and Review Services No. 5.] (See section 500.)

Change of Status—Public/Nonpublic Entity

.31 When reporting on comparative financial statements for either interim or annual periods, the current status of the entity should govern whether the accountant is guided by statements on auditing standards or statements on standards for accounting and review services. A previously issued report that is not appropriate for the current status of the entity should not be reissued or referred to in the report on the financial statements of the current period.

.32 For example, if the entity is a public entity in the current period and was a nonpublic entity in the prior period, a compilation or review report previously issued on the financial statements of the prior period should not be reissued or referred to in the report on the financial statements of the current and one or more prior periods.¹⁰ If an entity is a nonpublic entity in the current period and was a public entity in the prior period, the annual financial statements of the prior period may have been audited.¹¹ In these circumstances, the accountant should refer to paragraph .28 for guidance on the appropriate method of reporting on the comparative financial statements.

Transition

.33 A continuing accountant who previously issued a disclaimer of opinion in accordance with SAS no. 26 [AU section 504], on prior-period financial statements of a nonpublic entity that are presented with financial statements for periods ending on or after July 1, 1979, should either (a) reissue his previous report on such prior-period financial statements, (b) include in his report on the financial statements of the current period a description of the responsibility assumed with respect to the financial statements of the prior period, or (c) comply with the compilation or review standards in SSARS 1 [section 100] (or perform an audit) with respect to such prior-period financial statements and report on them accordingly.

.34 An example of the last paragraph of the accountant's report that describes the responsibility assumed for the financial statements of the prior period is as follows:

The 19X1 financial statements of XYZ Company were reported upon by me (us) in accordance with standards then in effect and my (our) report dated March 1, 19X2, stated that I (we) had not audited those financial statements and accordingly did not express an opinion on them.

.35 A predecessor accountant who previously issued a disclaimer of opinion in accordance with SAS no. 26 [AU section 504], on prior-period financial statements of a nonpublic entity that are presented with financial statements for periods ending on or after July 1, 1979, may reissue his previous report or may comply with the compilation or review standards in SSARS 1 [section 100] (or perform an audit) with respect to such prior-period financial statements and report on them accordingly. If the predecessor accountant does not reissue his previous report, the successor accountant should either refer to the predecessor accountant's previous report in his

¹⁰ In these circumstances, the accountant should refer to statements on auditing standards for guidance on the appropriate method of reporting on the comparative financial statements.

¹¹ If an unaudited disclaimer of opinion was previously issued on the financial statements of the prior period, it should not be reissued or referred to in the report on the financial statements of the current period. In these circumstances, the accountant should comply with the compilation or review standards in SSARS 1 [section 100] (or perform an audit) and report accordingly on the financial statements of the prior period. (However, see also paragraphs .33 to .35 concerning reporting during the transition period.)

report on the financial statements of the current period or comply with the compilation or review standards in SSARS 1 [section 100] (or perform an audit) with respect to such prior-period financial statements and report on them accordingly.

Effective Date

.36 This statement will be effective for reports on comparative financial statements for periods ending on or after November 30, 1979. However, earlier application is encouraged for periods ending on or after July 1, 1979.

→ The next page is 3369. ←

AR Section 300***Compilation Reports on
Financial Statements
Included in Certain
Prescribed Forms***

**Issue date, unless
otherwise indicated:
December, 1981**

.01 The requirements of SSARS 1 [section 100] and SSARS 2 [section 200] are applicable when the unaudited financial statements of a nonpublic entity are included in a prescribed form. This statement amends SSARS 1 [section 100] and SSARS 2 [section 200] to provide for an alternative form of standard compilation report when the prescribed form or related instructions call for departure from generally accepted accounting principles by specifying a measurement principle not in conformity with generally accepted accounting principles or by failing to request the disclosures required by generally accepted accounting principles.¹ This statement also provides additional guidance applicable to reports on financial statements included in a prescribed form.²

¹ For purposes of this statement, reference to generally accepted accounting principles includes, where applicable, a comprehensive basis of accounting other than generally accepted accounting principles as defined in SAS 14, paragraph 4 [AU section 621.04]. Disclosure of the basis of accounting should be made when a comprehensive basis of accounting other than generally accepted accounting principles is used.

² This statement amends SSARS 1 [section 100] in four places. The following sentences are added to the end of paragraph 18 of SSARS 1 [section 100.18]:

Also, an accountant may be asked to compile financial statements included in a prescribed form that calls for departure from generally accepted accounting principles. SSARS 3 provides additional guidance, including an alternative form of standard report, applicable to such compilation engagements.

The following sentence is added to the end of footnote 7, paragraph 19 of SSARS 1 [section 100.19, footnote 7]:

However, see SSARS 3 for guidance when such financial statements are included in a prescribed form and the prescribed form or related instructions do not request the disclosures required by generally accepted accounting principles.

The following is added as the penultimate sentence of paragraph 39 of SSARS 1 [section 100.39]:

SSARS 3 provides guidance when the departure is called for by a prescribed form or related instructions.

The following is added as a footnote to the last sentence of paragraph 5 of SSARS 1 [section 100.05]:

SSARS 3 permits an accountant who has reviewed the financial statements of a nonpublic entity to issue a compilation report on financial statements for the same period that are

.02 For purposes of this statement, a *prescribed form* is any standard preprinted form designed or adopted by the body to which it is to be submitted, for example, forms used by industry trade associations, credit agencies, banks, and governmental and regulatory bodies other than those concerned with the sale or trading of securities. A form designed or adopted by the entity whose financial statements are to be compiled is not considered to be a prescribed form. The terms *financial statement* and *nonpublic entity* are defined in paragraph 4 of SSARS 1 [section 100.04], as amended.

.03 There is a presumption that the information required by a prescribed form is sufficient to meet the needs of the body that designed or adopted the form and that there is no need for that body to be advised of departures from generally accepted accounting principles required by the prescribed form or related instructions. Therefore, in the absence of a requirement or a request for a review report on the financial statements included in a prescribed form, the following form of standard compilation report may be used when the unaudited financial statements of a nonpublic entity are included in a prescribed form that calls for departure from generally accepted accounting principles:

I (we) have compiled the (identification of financial statements, including period covered and name of entity) included in the accompanying prescribed form in accordance with standards established by the American Institute of Certified Public Accountants.

My (our) compilation was limited to presenting in the form prescribed by (name of body) information that is the representation of management (owners). I (we) have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements (including related disclosures) are presented in accordance with the requirements of (name of body), which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

[As amended, effective for compilations of financial statements for periods ending on or after December 31, 1982, by Statement on Standards for Accounting and Review Services No. 5.] (See section 500.)

.04 If the accountant becomes aware of a departure from generally accepted accounting principles other than departures that may be called for by the prescribed form or related instructions (see paragraph .01), he should follow the guidance in paragraphs 39 through 41 of SSARS 1 [section 100.39—41] regarding such departures. (The sentence introducing the

included in a prescribed form that calls for departure from generally accepted accounting principles.

This statement also amends SSARS 2 by adding the following sentence to footnote 3, paragraph 2 [section 200.02, footnote 3]:

See SSARS 3 for additional guidance when the accountant compiles comparative financial statements included in a prescribed form that calls for departure from generally accepted accounting principles or, where applicable, from a comprehensive basis of accounting other than generally accepted accounting principles.

separate paragraph of his report disclosing the departure might read as follows: "However, I did become aware of a departure from generally accepted accounting principles that is not called for by the prescribed form or related instructions, as described in the following paragraph.") If the accountant becomes aware of a departure from the requirements of the prescribed form or related instructions, he should consider that departure as the equivalent of a departure from generally accepted accounting principles in determining its effect on his report.

.05 The accountant should not sign a preprinted report form that does not conform with the guidance in this statement or SSARS 1 [section 100], as amended, whichever is applicable. In such circumstances, the accountant should append an appropriate report to the prescribed form.

→*The next page is 3377.*←

AR Section 400

***Communications Between
Predecessor and Successor
Accountants***

Issue date, unless
otherwise indicated:
December, 1981

.01 This statement provides guidance to a successor accountant who decides to communicate with a predecessor accountant regarding acceptance of an engagement to compile or review the financial statements of a nonpublic entity.¹ It requires the predecessor accountant to respond promptly and fully in the event of such communications (paragraphs .03 through .06) in ordinary circumstances. This statement also provides guidance on additional inquiries a successor accountant may wish to make of a predecessor, and the predecessor's responses (paragraphs .07 through .08), to facilitate the conduct of the successor's compilation or review engagement.

.02 The following definitions apply for purposes of this statement:

Successor accountant. An accountant who has been invited to make a proposal for an engagement to compile or review financial statements or who has accepted such an engagement.

Predecessor accountant. An accountant who has resigned or who has been notified that his services have been terminated and who, at a minimum, was engaged to compile the financial statements of the entity for the prior year or for a period ended within twelve months of the date of the financial statements to be compiled or reviewed by the successor.

Inquiries Regarding Acceptance of an Engagement

.03 A successor accountant is not required to communicate with a predecessor accountant in connection with acceptance of a compilation or review engagement, but he may decide to do so, for example, when circumstances such as the following exist:²

a. The information obtained about the prospective client and its management and principals is limited or appears to require special attention.

¹ This statement amends SSARS 2 by deletion of footnote 8 in paragraph 16 [section 200.16, footnote 8] of that statement.

² Accountants should be aware that SAS 7 [AU section 315], *Communications Between Predecessor and Successor Auditors*, applies whenever an accountant has been retained, or is to be retained, to make an examination of financial statements in accordance with generally accepted auditing standards.

b. The change in accountants takes place substantially after the end of the accounting period for which financial statements are to be compiled or reviewed.

c. There have been frequent changes in accountants.

.04 Except as permitted by the AICPA Rules of Conduct, an accountant is precluded from disclosing any confidential information obtained in the course of a professional engagement without the consent of his client. Accordingly, when the successor accountant decides to communicate with the predecessor, he should request the client (a) to permit him to make inquiries of the predecessor accountant and (b) to authorize the predecessor accountant to respond fully to those inquiries.³ If the client refuses to comply fully with this request, the successor accountant should consider the reasons for, and implications of, that refusal in connection with acceptance of the engagement.

.05 When the successor accountant decides to communicate with the predecessor, his inquiries may be oral or written and ordinarily would include inquiries concerning (a) information that might bear on the integrity of management (owners), (b) disagreements with management (owners) about accounting principles or the necessity for the performance of certain procedures, (c) the cooperation of management (owners) in providing additional or revised information, if necessary, and (d) the predecessor's understanding of the reason for the change of accountants.

.06 The predecessor accountant should respond promptly and fully, on the basis of facts known to him, when he receives inquiries of the type described in paragraph .05, as distinguished from other inquiries discussed in paragraphs .07 and .08. However, if the predecessor decides, due to unusual circumstances⁴ such as impending litigation, not to respond fully, he should indicate that his response is limited. The successor accountant should consider the reasons for, and implications of, such a response in connection with acceptance of the engagement.

Other Inquiries

.07 The successor accountant may wish to make other inquiries of the predecessor to facilitate the conduct of his compilation or review engagement. Examples of such inquiries, which may be made either before or after acceptance of the engagement, might include questions about prior periods regarding (a) inadequacies noted in the entity's underlying financial data, (b) the necessity to perform other accounting services, and (c) areas that have required inordinate time in prior periods.

³ The successor accountant is not precluded from making these inquiries before making a proposal for the engagement.

⁴ Unpaid fees, as discussed in paragraph .08, are not considered to be an unusual circumstance for purposes of this paragraph; however, see paragraph .08.

.08 A successor accountant also may wish to obtain access to the predecessor's working papers.⁵ In these circumstances, the successor should request the client to authorize the predecessor to allow such access. It is customary in such circumstances for the predecessor to make himself available to the successor for consultation and to make available certain of his working papers. The predecessor and successor should agree on those working papers that are to be made available and those that may be copied. Ordinarily, the predecessor should provide the successor access to working papers relating to matters of continuing accounting significance and those relating to contingencies. Valid business reasons (including but not limited to unpaid fees), however, may lead the predecessor to decide not to allow access to his working papers.⁶ Further, when more than one accountant is considering acceptance of an engagement, the predecessor should not be expected to make himself or his working papers available until the client has designated one of those accountants as the successor.

.09 The successor accountant should not make reference to the report or work of a predecessor accountant in his own report, except as specifically permitted by SSARS 2 [section 200] or SAS 26 [AU section 504] with respect to the financial statements of a prior period.

Financial Statements Reported on by Predecessor Accountant

.10 If during his engagement the successor accountant becomes aware of information that leads him to believe that financial statements reported on by the predecessor accountant may require revision, he should request his client to communicate this information to the predecessor accountant. Paragraph 42 of SSARS 1 [section 100.42] provides guidance to the predecessor accountant in determining an appropriate course of action. If the client refuses to communicate with the predecessor or if the successor accountant is not satisfied with the predecessor's course of action, the successor would be well advised to consult with his attorney.

→ *The next page is 3383.* ←

⁵ Statements on Standards for Accounting and Review Services do not specify the form or content of the working papers that an accountant should prepare in connection with a review engagement and are silent regarding the working papers, if any, that would be prepared in a compilation engagement. Accordingly, a successor accountant ordinarily would inquire about the nature of the working papers prepared by the predecessor before deciding that access would be helpful.

⁶ See Ethics Interpretation 501-1 [ET section 501.02] for guidance on what constitutes an accountant's working papers. [Footnote added April 30, 1982, by the Accounting and Review Services Committee.]

AR Section 500

Reporting on Compiled Financial Statements

**Effective for
compilations of
financial statements
for periods ending on
or after December
31, 1982, unless
otherwise indicated.**

.01 This statement amends the reporting standard¹ set forth in paragraph 14(a) of Statement on Standards for Accounting and Review Services 1 [section 100.14a] to read as follows:

A compilation has been performed in accordance with standards established by the American Institute of Certified Public Accountants.

.02 This statement also amends paragraph 17 of SSARS 1 [section 100.17] by changing the first sentence of the standard compilation report to conform to the amended reporting standard.² The form of standard report appropriate for a compilation set forth in paragraph 17 of SSARS 1 [section 100.17] now reads as follows:

¹ SSARS 1 [section 100] provides guidance considered necessary to enable the accountant to comply with the general standards of the profession set forth in rule 201 [ET section 201.01] of the AICPA Rules of Professional Conduct in the context of a compilation or review engagement and establishes additional standards deemed appropriate for such engagements. For example, SSARS 1 [section 100] indicates that an accountant who is engaged to compile financial statements

- Should establish an understanding with the entity regarding the services to be performed and the report the accountant expects to render (par. 8 [section 100.08]).
- Should have or obtain knowledge of the accounting principles and practices of the entity's industry and a general understanding of certain matters related to the entity itself (pars. 10 and 11 [section 100.10—11]).
- Should consider whether it will be necessary to perform other accounting services, such as assistance in adjusting the books of account or consultation on accounting matters (par. 11 [section 100.11]).
- Should take certain actions when the accountant becomes aware that information supplied by the entity is incorrect, incomplete, or otherwise unsatisfactory (par. 12 [section 100.12]).
- Should read the compiled financial statements and consider whether they appear to be appropriate in form and free from obvious material error (par. 13 [section 100.13]).
- Should consider whether to modify his report if in his compilation of the financial statements he becomes aware of a departure from generally accepted accounting principles (or another comprehensive basis of accounting) that is material to the financial statements and the financial statements are not revised (pars. 39—41 [section 100.39—41]).

² This statement also amends the illustrations of compilation reports contained in pars. 21 and 40 and Appendix B of SSARS 1 [sections 100.21, 100.40 and 100.53], in pars. 9 and 30 of SSARS 2 [sections 200.09 and 200.30], and in par. 3 of SSARS 3 [section 300.03], to conform the language of the first paragraph of each such illustration to that set forth in par. .02 of this statement.

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 19XX, and the related statements of income, retained earnings, and changes in financial position for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Effective Date

.03 This statement will be effective for compilations of financial statements for periods ending on or after December 31, 1982. Earlier application is encouraged.

→ The next page is 3501. ←

AR Section 9000

ACCOUNTING AND REVIEW SERVICES INTERPRETATIONS

The staff of the accounting and review services committee has been authorized to issue interpretations to provide timely guidance on the application of pronouncements of the accounting and review services committee. Interpretations are reviewed by members of that committee. An interpretation is not as authoritative as a pronouncement of the accounting and review services committee, but members should be aware that they may have to justify a departure from an interpretation if the quality of their work is questioned.

TABLE OF CONTENTS

Section		Paragraph
AR 9100	Compilation and Review of Financial Statements: Accounting and Review Services Interpretations of AR Section 100	
	1. Omission of Disclosures in Reviewed Financial Statements (12/79) .....	.01-.02
	2. Financial Statements Included in SEC Filings (12/79) .....	.03-.05
	3. Reporting on the Highest Level of Service (12/79) ..	.06-.12
	4. Discovery of Information After the Date of Accountant's Report (11/80) .....	.13-.15
	5. Planning and Supervision (8/81) .....	.16-.17
	6. Withdrawal from Compilation or Review Engagement (8/81) .....	.18-.22
	7. Reporting When There Are Significant Departures from Generally Accepted Accounting Principles (8/81) .....	.23-.26
	8. Reports on Specified Elements, Accounts, or Items of a Financial Statement (11/81) .....	.27-.28
	9. Reporting When Management Has Elected to Omit Substantially All Disclosures (5/82) .....	.29-.30
	10. Reporting on Tax Returns (11/82) .....	.31-.32
	11. Reporting on Uncertainties (12/82) .....	.33-.40
	12. Reporting on a Comprehensive Basis of Accounting Other than Generally Accepted Accounting Principles (12/82) .....	.41-.45
	13. Additional Procedures (3/83) .....	.46-.49

Section	Paragraph
AR 9100	Compilation and Review of Financial Statements: Accounting and Review Services Interpretations of AR Section 100—Continued
	14. Reporting on Financial Statements When the Scope of the Accountant's Procedures Has Been Restricted (4/84)
	.50-.53
AR 9200	Reporting on Comparative Financial Statements: Accounting and Review Services Interpretations of AR Section 200
	1. Reporting on Financial Statements that Previously Did Not Omit Substantially All Disclosures (11/80) . . .
	.01-.04
AR 9300	Compilation Reports on Financial Statements Included in Certain Prescribed Forms: Accounting and Review Services Interpretations of AR Section 300
	1. Omission of Disclosures in Financial Statements Included in Certain Prescribed Forms (5/82)
	.01-.03

»»»→ *The next page is 3511.* ←«««

AR Section 9100**Compilation and Review of Financial Statements: Accounting and Review Services Interpretations of AR Section 100****1. Omission of Disclosures in Reviewed Financial Statements**

.01 Question—Section 100.19—.21, *Compilation and Review of Financial Statements*, provides guidance to the accountant when a departure from generally accepted accounting principles relates to the omission of substantially all disclosures in the financial statements that he has compiled. Section 100.39 states that, in all other circumstances, an accountant should consider whether modification of his standard report is adequate to disclose a departure from generally accepted accounting principles. When a departure from generally accepted accounting principles relates to the omission of substantially all disclosures in financial statements that the accountant has reviewed, is disclosure of such omission in a separate paragraph of the accountant's report similar to the example in section 100.21 an adequate modification of his report?

.02 Interpretation—No. The guidance in section 100.19—.21 only applies when financial statements that the accountant has *compiled* omit substantially all of the disclosures required by generally accepted accounting principles or another comprehensive basis of accounting. Because of the reporting requirements of section 100, an accountant ordinarily would not accept an engagement to review financial statements that omit substantially all of the disclosures required by generally accepted accounting principles. When an accountant who undertakes to *review* financial statements subsequently finds that his client declines to include substantially all required disclosures, his review report should include the disclosures omitted from the statements. However, if the information required to be disclosed has not been determined by management or is not known as the result of the accountant's procedures, the accountant is not required to determine the specific information that should be disclosed. In that circumstance, the accountant's report should specifically identify the nature of the omitted disclosures.

[Issue Date: December, 1979.]

2. Financial Statements Included in SEC Filings

.03 *Question*—Statements on Standards for Accounting and Review Services are applicable to the unaudited financial statements or other unaudited financial information of nonpublic entities (see definition in section 100.04, as amended by section 200.01, footnote 2). Unaudited financial statements of some entities that are nonpublic are occasionally included in documents filed with the Securities and Exchange Commission. For example, a nonpublic entity may be required to file unaudited financial statements in connection with the issuance of stock to an employee stock purchase plan or in connection with the sale of certain limited partnership units. Do the reporting requirements of section 100 apply in those circumstances?

.04 *Interpretation*—Deciding whether an entity is public or nonpublic for purposes of determining the applicability of section 100 should involve consideration of all relevant facts and the application of professional judgment. Professional standards do not eliminate the need for the exercise of professional judgment, since rules and definitions, no matter how carefully drawn, seldom cover every eventuality.

.05 In the circumstances described in this question, the accountant might note that the definition of a nonpublic entity contained in section 100, developed from the definition of a publicly traded company in APB Opinion No. 28 [AC section I73.101], differs from the definition of a nonpublic enterprise in FASB Statement No. 21 [AC section S20.407], which excludes any entity “that is required to file financial statements with the Securities and Exchange Commission.” This might lead the accountant to consider the significant responsibilities placed on independent accountants by the various securities acts. He might conclude that the users of unaudited financial statements included in documents filed with the SEC have objectives, needs, and expectations different from those of users of the unaudited financial statements of nonpublic entities that are not included in such filings. He might also conclude that communication with those users, because of the significance they attach to the regulatory and disciplinary responsibilities of the SEC, is not enhanced by including a compilation or review report in a document filed with the SEC, and might responsibly decide that the guidance in Statements on Auditing Standards is more appropriate in those circumstances.

[Issue Date: December, 1979.]

3. Reporting on the Highest Level of Service

.06 *Question*—Sections 100.04 and 100.11, *Compilation and Review of Financial Statements*, recognize that an accountant may consider it necessary to perform other accounting services to enable him to compile financial statements. Section 100.05 provides that when an accountant performs more than one service with respect to the finan-

cial statements of an entity he should issue the report that is appropriate for the highest level of service rendered. Does section 100.05 require the accountant to evaluate the extent of other accounting services he has performed in a compilation engagement and to decide whether a review report should be issued instead of a compilation report?

.07 Interpretation—No. Section 100 requires the accountant to issue a report whenever he completes a compilation or review of the financial statements of a nonpublic entity. The statement that the accountant should issue a report that is appropriate for the highest level of service rendered is intended to make clear that if, for example, the accountant has both compiled and reviewed the financial statements that he was engaged to review, he would need to issue only a review report.

.08 Section 100 imposes no requirement for the accountant to “upgrade” his report because he has performed other accounting services. However, the accountant may wish to evaluate whether, as a result of performing such services, he is in a position to issue a review report when he was engaged only to perform a compilation. In such circumstances, he may wish to discuss the matter with his client and they may decide to revise their understanding regarding the nature of the services to be rendered.

.09 Question—An entity may wish to engage an accountant to compile financial statements each month and also to review the financial statements of the entity for a quarterly or an annual period. May an accountant issue a compilation report on the monthly financial statements and a review report on quarterly or annual financial statements for a period ending on the same date as one of the monthly financial statements?

.10 Interpretation—Yes. An accountant may accept an engagement to perform a compilation of financial statements for an interim period and an engagement to review the financial statements for another period that ends on the same date, provided he complies with the applicable standards for each engagement.

.11 Question—An accountant who has been engaged to compile or review the financial statements of an entity may also be requested to perform a higher level of service with respect to the same financial statements. Is the acceptance of such an engagement appropriate?

.12 Interpretation—Yes. Section 100 does not prohibit the accountant from accepting an engagement to perform a higher level of service with respect to financial statements that have been previously compiled or reviewed.

[Issue Date: December, 1979.]

4. Discovery of Information After the Date of the Accountant's Report

.13 *Question*—Paragraph 42 of SSARS 1 [section 100.42], *Compilation and Review of Financial Statements*, states that the accountant may wish to consider the guidance in section 561 of Statement on Auditing Standards No. 1 [AU section 561] in determining an appropriate course of action when he becomes aware, subsequent to the date of his report on compiled or reviewed financial statements, that facts may have existed at that date which might have caused him to believe that information supplied by the entity was incorrect, incomplete, or otherwise unsatisfactory had he then been aware of such facts. What factors would the accountant ordinarily consider in determining an appropriate course of action and how would his judgments be affected by the nature of the service he had provided?

.14 *Interpretation*—Determining an appropriate course of action in the circumstances addressed in paragraph 42 of SSARS 1 [section 100.42] requires the careful exercise of professional judgment. Two factors that the accountant might consider in making this decision are:

- (a) *The reliability of the information.* If the information is of such a nature and from such a source that the accountant would have obtained additional or revised information during the course of his compilation or performed additional procedures during the course of his review, the accountant ordinarily would discuss the information with his client and consider the results of that discussion in determining what other action, if any, to take. The nature and extent of any procedures applied by the accountant relative to the reliability of the information would be similar to those that he would have applied had he become aware of the information during the course of his engagement. If the accountant believes that the information is reliable and that it existed at the date of his report, and if the information indicates that the financial statements, his report, or both need revision, the accountant ordinarily would conclude that persons known to be relying on or likely to rely on the financial statements should be notified in an appropriate manner.
- (b) *The existence of persons known to be relying on or likely to rely on the financial statements.* The compiled or reviewed financial statements of nonpublic entities may be distributed to persons who are not otherwise informed about the entity's financial position, results of operations, and changes in financial position. In evaluating the likelihood that such persons are currently relying on or likely to rely on the financial statements, the accountant should consider the time elapsed since the financial statements were issued. Although

a compilation report does not express any form of assurance on the financial statements, it would seldom be appropriate for an accountant to conclude, simply because his responsibilities were limited to a compilation service, that notification of third party users in the absence of notification by the client is not required when the accountant knows that the financial statements should be revised.

.15 As indicated in both paragraph 42 of SSARS 1 [section 100.42] and, more explicitly, in section 561.02 of SAS No. 1 [AU section 561.02], the accountant should consider consulting with his attorney.

[Issue Date: November, 1980.]

5. Planning and Supervision

.16 *Question*—SSARS 1 [section 100], *Compilation and Review of Financial Statements*, states that it “provides guidance considered necessary to enable the accountant to comply with the general standards of the profession set forth in the rules of conduct of the AICPA Code of Professional Ethics.” Rule 201C [ET section 201.01C] states: “A member shall adequately plan and supervise an engagement.” Although Statement on Auditing Standards No. 22 [AU section 311], *Planning and Supervision*, deals with these matters in the context of an examination in accordance with generally accepted auditing standards, SSARS 1 [section 100] does not provide specific guidance for the planning and supervision of a compilation or review engagement. In the absence of specific guidance on planning and supervision in SSARS 1 [section 100], is an accountant required to follow the guidance provided in SAS No. 22 [AU section 311] in the context of a compilation or review engagement for a nonpublic entity?

.17 *Interpretation*—No. Statements on Auditing Standards do not govern engagements to compile or review financial statements of a nonpublic entity. However, an accountant may wish to consider SAS No. 22 [AU section 311] or other reference sources, such as textbooks and articles, when he needs additional information on planning and supervision.

[Approved: May, 1981; Issue Date: August, 1981.]

6. Withdrawal from Compilation or Review Engagements

.18 *Question*—Paragraph 41 of SSARS 1 [section 100.41] states: “If the accountant believes that modification of his standard report is not adequate to indicate the deficiencies in the financial statements taken as a whole, he should withdraw from the compilation or review engagement and provide no further services with respect to those financial statements.” Under what circumstances would the accountant ordinarily conclude that it is necessary to withdraw from a compilation or review engagement?

.19 *Interpretation*—Modification of the accountant's standard report as described in paragraph 40 of SSARS 1 [section 100.40] ordinarily should be adequate to indicate the deficiencies in the financial statements taken as a whole. However, in some circumstances, likely to be rare and unusual, the nature, extent, and probable effect of the departures from generally accepted accounting principles or an other comprehensive basis of accounting might cause the accountant to question whether the departures were undertaken with the intention of misleading those who might reasonably be expected to use such financial statements. In those circumstances, withdrawal from the compilation or review engagement might be necessary; however, the accountant ordinarily would not make a decision to withdraw when the client agreed that the effects of the departures should be determined and disclosed in the accountant's report.

.20 As an illustration, the client may have entered into a number of leasing arrangements that might be required to be capitalized under FASB Statement No. 13 [AC section L10]. The client may not wish to capitalize such leases and may not have determined the effect of this departure from GAAP. However, the client may be willing to disclose in the financial statements information such as the nature of the leased property, the payments required under the leases, and other important terms of the leases. In those circumstances, the accountant is not likely to conclude that the departure was undertaken with the intention of misleading users, even though the effect of the departure is not quantified in the financial statements or the accountant's report.

.21 On the other hand, the client may have failed, for example, to make provision for doubtful accounts and probable sales returns in the face of significant adverse business and economic conditions and may be unwilling to acknowledge that an adjustment should be considered. This might cause the accountant to question whether other information provided by the client is incorrect, incomplete, or otherwise unsatisfactory. Also, the accountant's general knowledge of the entity's business and related matters might lead him to conclude that this position indicates an intention of misleading users, particularly if the effects of the departure are not determined.

.22 The accountant would also withdraw from the compilation or review engagement when the financial statements, including disclosures, are not revised and the client refuses to accept the modified standard report that the accountant believes is appropriate.

[Approved: May, 1981; Issue Date: August, 1981.]

7. Reporting When There Are Significant Departures from Generally Accepted Accounting Principles

.23 Question: When the financial statements include significant departures from generally accepted accounting principles or an other comprehensive basis of accounting, may the accountant modify his standard report under paragraph 40 of SSARS 1 [section 100.40] to include a statement that the financial statements are not in conformity with generally accepted accounting principles or an other comprehensive basis of accounting?

.24 Interpretation—No. Including such a statement in the accountant's compilation or review report would be tantamount to expressing an adverse opinion on the financial statements taken as a whole. Such an opinion can be expressed only in the context of an audit engagement. Furthermore, such a statement in a review report would confuse users because it would contradict the expression of limited assurance required by paragraph 32(e) of SSARS 1 [section 100.32(e)].

.25 However, footnote 14 to paragraph 40 of SSARS 1 [section 100.40, footnote 14] indicates that the accountant is not precluded from emphasizing in a separate paragraph of his report a matter regarding the financial statements. The accountant may wish, therefore, to emphasize the limitations of the financial statements in a separate paragraph of his compilation or review report, depending on his assessment of the possible dollar magnitude of the effects of the departures, the significance of the affected items to the entity, the pervasiveness and overall impact of the misstatements, and whether disclosure has been made of the effects of the departures. Such separate paragraph, which would follow the other modifications of his report (see illustrations in paragraph 40 of SSARS 1 [section 100.40]), might read as follows:

Because the significance and pervasiveness of the matters discussed above makes it difficult to assess their impact on the financial statements taken as a whole, users of these financial statements should recognize that they might reach different conclusions about the company's financial position, results of operations, and changes in financial position if they had access to revised financial statements prepared in conformity with generally accepted accounting principles.

.26 Inclusion of such a separate paragraph in the accountant's compilation or review report is not a substitute for disclosure of the specific departures or the effects of such departures when they have been determined by management or are known as a result of the accountant's procedures. In this connection, see the interpretation entitled "Omission of Disclosures in Reviewed Financial Statements" (section 9100.01—.02).

[Approved: May, 1981; Issue Date: August, 1981.]

8. Reports on Specified Elements, Accounts, or Items of a Financial Statement

.27 *Question*—Paragraph 43 of SSARS 1 [section 100.43] provides guidance when the basic financial statements are accompanied by information presented for supplementary analysis purposes. However, a nonpublic entity may wish to engage an accountant to issue a review report on a separate presentation of specified elements, accounts, or items of a financial statement or to report the results of applying agreed-upon procedures to specified elements, accounts, or items of a financial statement. Do SSARS 1 [section 100] reporting requirements for a review apply in such circumstances?

.28 *Interpretation*—No. SSARS 1 [section 100]. *Compilation and Review of Financial Statements*, provides guidance concerning the standards and procedures applicable to compilations and reviews of financial statements. Presentations of specified elements, accounts, or items of a financial statement are not financial statements. Statements on Auditing Standards Nos. 14 [AU section 621] and 35 [AU section 622] and Interpretations thereof provide guidance with respect to reporting on such presentations when the engagement is intended to result in the expression of an audit opinion (a report on specified elements, accounts, or items of a financial statement) or limited assurance (a report on the results of applying agreed-upon procedures to specified elements, accounts, or items of a financial statement).

[Issue Date: November, 1981.]

9. Reporting When Management Has Elected to Omit Substantially All Disclosures

.29 *Question*—Paragraph 21 of SSARS 1 [section 100.21] illustrates a form of standard report appropriate when compiled financial statements omit substantially all disclosures. The third paragraph of that illustrative report begins with this sentence: "Management has elected to omit substantially all of the disclosures . . . required by generally accepted accounting principles." Paragraph 19 of SSARS 1 [section 100.19] requires the accountant to disclose in his report the fact that compiled financial statements omit substantially all disclosures but does not state that there is a need to indicate that "manage-

ment has elected” to omit such disclosures. May the accountant modify the wording of his report, for example, to state that “Management has not included substantially all of the disclosures . . .” or “The Company has not included substantially all of the disclosures . . .”?

.30 Interpretation—Use of the language in the third paragraph of the standard report in paragraph 21 of SSARS 1 [section 100.21] is encouraged; it was designed to impress upon management and the users of financial statements that omission of substantially all disclosures is the entity’s decision, not the accountant’s. However, provided the report clearly indicates this, the wording “Management has elected to omit” may be modified. Language such as “These financial statements do not include substantially all of the disclosures . . .” should not be used because some might infer that the decision to omit disclosures was the accountant’s.

[Issue Date: May, 1982.]

10. Reporting on Tax Returns

.31 Question—May an accountant comply with a request from a nonpublic entity to issue a compilation or review report on financial information contained in a tax return, as in Form 1040, *U. S. Individual Income Tax Return*, or Form 1120, *U. S. Corporation Income Tax Return*, or in an information return, as in Form 990, *Return of Organization Exempt from Income Tax*, Form 1065, *U. S. Partnership Return of Income*, or Form 5500, *Return of Employee Benefit Plan*?

.32 Interpretation—SSARS 1 [section 100] imposes no requirement on an accountant to report on financial information contained in a tax return. The fact that a return is subsequently used for a purpose other than submission to taxing authorities does not affect that exception. However, an accountant may decide to accept an engagement to issue a compilation or review report on such a return. In that case, he must comply with the applicable performance and reporting standards.

[Issue Date: November, 1982.]

11. Reporting on Uncertainties

.33 Question—Paragraph 39 of SSARS 1 [section 100.39] requires an accountant to consider modification of the standard compilation or review report when he becomes aware of a departure from generally accepted accounting principles (which include adequate disclosure) that is material to the financial statements. What guidance should the accountant follow in evaluating the disclosure of an uncertainty?

.34 Interpretation—FASB Statement No. 5 [AC section C59], “Accounting for Contingencies,” Statement No. 47 [AC section C32], “Disclosure of Long-Term Obligations,” and other authoritative ac-

counting literature provide guidance on disclosure of uncertainties. However, the accounting literature does not provide specific guidance on disclosure of uncertainties caused by concern about the entity's ability to continue in existence. In evaluating the disclosure of those uncertainties, the accountant should look to the guidance provided by paragraph 10 of SAS No. 34 [AU section 340.10], "The Auditor's Considerations When a Question Arises About an Entity's Continued Existence."

.35 If the accountant believes that the financial statement disclosure of an uncertainty is inadequate, he should consider the guidance provided in paragraphs 39-41 [section 100.39-41], and Interpretations 6 and 7 [see JofA, Aug. 81, pp. 111-112], of SSARS 1 [section 9100.18-.26] in modifying his report.

.36 *Question*—If the accountant believes that the financial statements appropriately disclose an uncertainty that is not susceptible of reasonable estimation, should the accountant issue a compilation or review report "subject to" the effects on the financial statements of any adjustments that might have been required if the uncertainty had been resolved?

.37 *Interpretation*—A compilation report expresses no assurance. A compilation report that is modified "subject to" the effects of any adjustments that might have been required if an uncertainty had been resolved would imply assurance and would be inappropriate. Footnote 14 to paragraph 40 of SSARS 1 [section 100.40, footnote 14] indicates that an accountant is not required to modify his review report for an uncertainty that is appropriately disclosed in the financial statements.

.38 Although not a requirement, an accountant may wish to draw attention to an uncertainty in an explanatory paragraph of his compilation or review report. If so, the following example may be useful:

"As discussed in Note X, certain conditions indicate that the Company may be unable to continue in existence. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence."

.39 *Question*—Paragraph 19 of SSARS 1 [section 100.19] allows the accountant, when he is requested to do so, to compile financial statements that omit substantially all of the disclosures required by GAAP, provided his report clearly indicates the omission and the client's decision to omit the disclosures was not, to the accountant's knowledge, undertaken with the intention of misleading users of the statements. Paragraph 20 [section 100.20] states that disclosure of

the use of a comprehensive basis of accounting other than GAAP can never be omitted. Should disclosure of an uncertainty be considered so significant that it also could never be omitted?

.40 Interpretation—No. Paragraph 20 of SSARS 1 [section 100.20] requires disclosure of the use of a comprehensive basis of accounting other than GAAP in an attached footnote, in a note on the face of the financial statements, or in the accountant's report because a user has a right to expect, in the absence of evidence to the contrary, that the financial statements are prepared in conformity with *generally accepted* accounting principles. As to all other matters, the user is adequately warned of the limitations of the financial statements by the report language suggested in paragraph 21 of SSARS 1 [section 100.21] (as amended by SSARS 5 [section 500]).

[Issue Date: December, 1982.]

12. Reporting on a Comprehensive Basis of Accounting Other than Generally Accepted Accounting Principles

.41 Question—Footnote 3 to paragraph 4 of SSARS 1 [section 100.04, footnote 3] states that “reference to generally accepted accounting principles in this statement includes, where applicable, another comprehensive basis of accounting.” What modifications to the standard compilation or review report are required when financial statements are prepared on another comprehensive basis of accounting?

.42 Interpretation—When financial statements are prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles, the footnotes ordinarily would state the basis of presentation and describe how that basis differs from generally accepted accounting principles. If such disclosures are made, the standard forms of compilation and review reports included in SSARS 1 [section 100] (as amended by SSARS 5 [section 500]) should be used. The reports should be modified to appropriately identify the accompanying financial statements.¹

.43 When an accountant compiles financial statements that are presented in accordance with a comprehensive basis of accounting other than generally accepted accounting principles and that omit substantially all disclosures, paragraph 20 of SSARS 1 [section 100.20] requires disclosure of the basis of accounting. This disclosure may be in an attached footnote or in a note on the face of the financial statements. If disclosure is not made as part of the financial statements, modification of the accountant's compilation report would be required. For example, the following sentence could be added to the first paragraph of the standard compilation report: “The financial statements have been prepared on the accounting basis used by the

¹ Refer to paragraph 7 of SAS no. 14 [AU section 621.07].

Company for Federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.”

.44 *Question*—Although SSARS 1 [section 100] permits an accountant to compile or review financial statements prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles, all the report examples in SSARS are for financial statement presentations in conformity with GAAP. What are appropriate compilation and review reports for other comprehensive bases of accounting?

.45 *Interpretation*—The following examples are offered.

Compilation, Full Disclosure—Cash Basis

I (we) have compiled the accompanying statement of assets and liabilities arising from cash transactions of XYZ Company as of December 31, 19XX, and the related statement of revenue collected and expenses paid for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Compilation, Omission of Substantially All Disclosures, With No Reference to Basis—Income Tax Basis

I (we) have compiled the accompanying statement of assets, liabilities, and equity-income tax basis of XYZ Company as of December 31, 19XX, and the related statement of revenue and expenses-income tax basis for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. The financial statements have been prepared on the accounting basis used by the Company for Federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management (owners). I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's

assets, liabilities, equity, revenue, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Review—Income Tax Basis

I (we) have reviewed the accompanying statement of assets, liabilities, and equity-income tax basis of XYZ Company as of December 31, 19XX, and the related statement of revenue and expenses-income tax basis for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management (owners) of XYZ Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I (we) do not express such an opinion.

Based on my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in Note X.

[Issue Date: December, 1982.]

13. Additional Procedures

.46 Question—Certain procedures, such as confirmation of receivables and observation of inventories, are customarily performed in an audit but not in compilation or review engagements. If an accountant performs such “auditing procedures” in connection with a compilation or review engagement, is he required to change the engagement to an audit?

.47 Interpretation—No. Paragraph 12 of SSARS 1 [section 100.12] states that in a compilation engagement there is no requirement “to verify, corroborate, or review information,” but it does not preclude the accountant from making inquiries or performing additional procedures. Similarly, paragraph 29 of SSARS 1 [section 100.29] states that a review engagement “does not contemplate a study and evaluation of internal accounting control, tests of accounting records and of responses to inquiries by obtaining corroborating evidential matter, and certain other procedures ordinarily performed during an audit.” However, it also indicates that there may be circumstances when the accountant “should perform the additional procedures he deems necessary. . . .” These citations make it clear that

the standards for performing compilations or reviews of financial statements do not preclude the accountant from performing procedures that he deems necessary or that his client requests.

.48 Paragraph 8 of SSARS 1 [section 100.08] does require the accountant to establish an understanding with the entity regarding the services to be performed, including "a description of the report the accountant expects to render," and this understanding establishes the terms and objectives of the engagement. When the accountant, in connection with a compilation or review engagement, plans to perform procedures that are customarily applied during an audit, he may wish to place additional importance on whether his understanding with the client should be in writing.

.49 The wording of confirmation requests or other communications related to additional procedures performed in the course of a compilation or review engagement should not use phrases such as "as part of an *examination* of the financial statements" (emphasis supplied).

[Issue Date: March, 1983.]

14. Reporting on Financial Statements When the Scope of the Accountant's Procedures Has Been Restricted

.50 *Question*—When an accountant is unable to complete, for any reason, the review procedures he considers necessary, paragraph 36 of SSARS 1 [section 100.36] precludes the issuance of a review report and cautions the accountant regarding the issuance of a compilation report. What factors should the accountant consider in deciding whether he may issue a compilation report in such circumstances?

.51 *Interpretation*—Paragraph 36 of SSARS 1 [section 100.36] indicates that the decision to issue a compilation report in such circumstances is a matter of professional judgment. In making this judgment, the accountant should determine whether the client has refused to provide additional or revised information, or whether he is unable to provide such information due to factors beyond his control. Paragraph 12 [section 100.12] states that when the client *refuses* to provide additional or revised information, the accountant should withdraw from the engagement.

.52 When the client is unable to provide information, the accountant should consider such factors as the reason for the scope limitation and the impact the limitation may have on the usefulness of the financial statements before deciding to issue a compilation report.

.53 If the accountant decides to issue a compilation report when there has been a significant scope limitation, he should consider adding an emphasis paragraph to his report describing the nature of the limitation.

[Issue Date : April, 1984.]

➡ The next page is 3551. ⬅

AR Section 9200**Reporting on Comparative Financial Statements: Accounting and Review Services Interpretations of AR Section 200****1. Reporting on Financial Statements that Previously Did Not Omit Substantially All Disclosures**

.01 *Question*—Paragraph 29 of SSARS 2 [section 200.29], *Reporting on Comparative Financial Statements*, states that an accountant who has compiled, reviewed, or audited financial statements that do not omit substantially all of the disclosures required by generally accepted accounting principles may subsequently compile financial statements for the same period that do omit substantially all of those disclosures when they are to be presented in comparative financial statements. In these circumstances, SSARS 2 [section 200] requires the accountant's compilation report to include an additional paragraph indicating (a) the nature of the service rendered with respect to the financial statements that previously did not omit substantially all disclosures and (b) the date of his previous report.

.02 When the accountant has previously audited such financial statements, he may have issued a qualified opinion (see paragraphs 29-30 of SAS No. 2 [AU section 509.29—.30], *Reports on Audited Financial Statements*) or an adverse opinion (see paragraph 41 of SAS No. 2) [AU section 509.41], or he may have disclaimed an opinion (see paragraph 45 of SAS No. 2 [AU section 509.45]). What effect, if any, should this have on the accountant's report on the comparative compiled financial statements? Also, when the accountant has previously compiled or reviewed such financial statements, what effect should a modification to his compilation or review report (see paragraphs 39 to 41 of SSARS No. 1 [section 100.39—.41]) have on the accountant's report on the comparative compiled financial statements?

.03 *Interpretation*—If financial statements that omit substantially all disclosures are compiled from financial statements that the accountant has previously audited, his report on the comparative compiled financial statements should indicate whether he expressed a qualified or adverse opinion, or disclaimed an opinion, on the audited financial statements, and the substantive reasons therefor. Similarly, if the accountant issued a modified compilation or review report or a

report containing any paragraphs emphasizing a matter regarding the financial statements (see paragraphs 39 to 41 of SSARS No. 1 [section 100.39—.41]) on financial statements that previously did not omit substantially all disclosures, the accountant's reference to that report in his report on the comparative compiled financial statements should include a description or a quotation of any modifications of the standard report and of any paragraphs emphasizing a matter regarding the financial statements.

.04 Statements on standards for accounting and review services do not require an accountant to modify the standard compilation or review report for an uncertainty or an inconsistency in the application of generally accepted accounting principles. When the accountant's report on comparative compiled financial statements that omit substantially all of the disclosures required by generally accepted accounting principles includes a reference to a previous audit report that was qualified for an uncertainty, users may assume, in the absence of an indication to the contrary, that the uncertainty has been resolved. Thus, in such circumstances, the accountant should consider the desirability of emphasizing the uncertainty in a separate paragraph of that portion of his report that relates to the financial statements for the current period.

[Issue Date: November, 1980.]

➤➤➤ *The next page is 3565.* ←➤➤➤

AR Section 9300**Compilation Reports on Financial Statements Included in Certain Prescribed Forms: Accounting and Review Services Interpretations of AR Section 300****1. Omission of Disclosures in Financial Statements Included in Certain Prescribed Forms**

.01 *Question*—The accountant may have reviewed financial statements including disclosures required by generally accepted accounting principles and be asked to compile financial statements included in a prescribed form which does not request such disclosures. If the measurement principles to be used do not cause the compiled financial statements in the prescribed form to be materially different from the reviewed statements, can the accountant's compilation report on the prescribed form refer to the accountant's report on the reviewed financial statements?

.02 *Interpretation*—Yes. The footnote to paragraph 5 of SSARS 1 [section 100.05] (as amended) permits an accountant who has reviewed the financial statements of a nonpublic entity to issue a compilation report on financial statements for the same period that are included in a prescribed form that calls for a departure from generally accepted accounting principles. When the difference between the previously reviewed financial statements and the financial statements included in the prescribed form is limited to the omission of disclosures not requested by the form, the accountant may wish to refer to his review report in his report on the compiled financial statements included in the prescribed form. This might be accomplished by adding a sentence such as the following to the second paragraph of the report illustrated in paragraph 3 of SSARS 3 [section 300.03] or as a separate paragraph: "These financial statements were compiled by me (us) from financial statements for the same period which I (we) previously reviewed, as indicated in my (our) report dated _____."* The reference to a previous review report should include a description or a quotation of any modifications of the standard review report previously issued and of any paragraphs emphasizing a matter regarding the financial statements.

*The report included in paragraph 3 of SSARS 3 [section 300.03] is an alternate form of report. If the accountant elects to use the standard compilation report included in SSARS 1, paragraph 17 [section 100.17] this sentence may be added to that report.

.03 If the measurement principles used in the compiled financial statements in the prescribed form cause such financial statements to be materially different from the previously reviewed financial statements, no reference should be made to the review engagement.

[Issue Date: May, 1982]

AR

APPENDIXES

. . . cross-references for accounting and review services interpretations . . . changes in statements on standards for accounting and review services . . .

TABLE OF CONTENTS

	Page
APPENDIX A—Cross-Reference Table for Accounting and Review Services Interpretations	4011
APPENDIX B—Schedule of Changes in Statements on Standards for Accounting and Review Services	4021

»»»→ *The next page is 4011.* ←«««

AR Appendix A

Cross-Reference Table for Accounting and Review Services Interpretations

(Sections of the text are cross-referenced to Interpretations)

<u>Section</u>	<u>Interpretation Subject (Interpretation No.)</u>	<u>Interpretation Section</u>
100.04	Financial Statements Included in SEC Filings (No. 2)	9100.03-.05
100.04	Reporting on the Highest Level of Service (No. 3)	9100.06-.12
100.04	Reporting on a Comprehensive Basis of Accounting Other than Generally Accepted Accounting Principles (No. 12)	9100.41-.43
100.05	Reporting on the Highest Level of Service (No. 3)	9100.06-.12
100.05	Omission of Disclosures in Financial Statements Included in Certain Prescribed Forms (No. 1)	9300.01-.03
100.08	Additional Procedures (No. 13)	9100.46-.49
100.11	Reporting on the Highest Level of Service (No. 3)	9100.06-.12
100.12	Additional Procedures (No. 13)	9100.46-.49
100.12	Reporting on Financial Statements When the Scope of the Accountant's Procedures Has Been Restricted (No. 14)	9100.50-.53
100.17	Omission of Disclosures in Financial Statements Included in Certain Prescribed Forms (No. 1)	9300.01-.03
100.19	Omission of Disclosures in Reviewed Financial Statements (No. 1)	9100.01-.02
100.19	Reporting When Management Has Elected to Omit Substantially All Disclosures (No. 9) ..	9100.29-.30
100.19	Reporting on Uncertainties (No. 11)	9100.39-.40
100.20	Omission of Disclosures in Reviewed Financial Statements (No. 1)	9100.01-.02
100.20	Reporting on Uncertainties (No. 11)	9100.39-.40
100.20	Reporting on a Comprehensive Basis of Accounting Other than Generally Accepted Accounting Principles (No. 12)	9100.41-.43
100.21	Omission of Disclosures in Reviewed Financial Statements (No. 1)	9100.01-.02
100.21	Reporting When Management Had Elected to Omit Substantially All Disclosures (No. 9) ..	9100.29-.30

<u>Section</u>	<u>Interpretation Subject (Interpretation No.)</u>	<u>Interpretation Section</u>
100.21	Reporting on Uncertainties (No. 11)	9100.39-40
100.29	Additional Procedures (No. 13)	9100.46-49
100.32	Reporting When There Are Significant Departures from Generally Accepted Accounting Principles (No. 7)	9100.23-26
100.36	Reporting on Financial Statements When the Scope of the Accountant's Procedures Has Been Restricted (No. 14)	9100.50-53
100.39	Omission of Disclosures in Reviewed Financial Statements (No. 1)	9100.01-02
100.39	Reporting on Uncertainties (No. 11)	9100.33-35
100.39	Reporting on Financial Statements that Previously Did Not Omit Substantially All Disclosures (No. 1)	9200.01-04
100.40	Withdrawal from Compilation or Review Engagements (No. 6)	9100.18-22
100.40	Reporting When There Are Significant Departures from Generally Accepted Accounting Principles (No. 7)	9100.23-26
100.40	Reporting on Uncertainties (No. 11)	9100.33-38
100.40	Reporting on Financial Statements that Previously Did Not Omit Substantially All Disclosures (No. 1)	9200.01-04
100.41	Withdrawal from Compilation or Review Engagements (No. 6)	9100.18-22
100.41	Reporting on Uncertainties (No. 11)	9100.33-35
100.41	Reporting on Financial Statements that Previously Did Not Omit Substantially All Disclosures (No. 1)	9200.01-04
100.42	Discovery of Information After the Date of the Accountant's Report (No. 4)	9100.13-15
100.43	Reports on Specified Elements, Accounts, or Items of a Financial Statement (No. 8)	9100.27-28
200.01	Financial Statements Included in SEC Filings (No. 2)	9100.03-05
200.29	Reporting on Financial Statements that Previously Did Not Omit Substantially All Disclosures (No. 1)	9200.01-04
300.03	Omission of Disclosures in Financial Statements Included in Certain Prescribed Forms (No. 1)	9300.01-03

➤→ The next page is 4021. ←➤

AR Appendix B

**Schedule of Changes in
Statements on Standards for
Accounting and Review Services**

<u>Section</u>	<u>Par.</u>	<u>Changes</u>	<u>Date of Change</u>
100	.04	Amended by SSARS 2	11/30/79
100	.05	Amended by SSARS 3	12/81
100	.14	Amended by SSARS 5	12/31/82
100	.17	Amended by SSARS 5	12/31/82
100	.18	Amended by SSARS 3	12/81
100	.19	Amended by SSARS 3	12/81
100	.21	Amended by SSARS 5	12/31/82
100	.39	Amended by SSARS 3	12/81
100	.40	Amended by SSARS 5	12/31/82
100	.50	Superseded by SSARS 2	11/30/79
100	.53	Amended by SSARS 5	12/31/82
200	.02	Amended by SSARS 3	12/81
200	.09	Amended by SSARS 5	12/31/82
200	.16	Amended by SSARS 4	12/81
200	.30	Amended by SSARS 5	12/31/82
300	.03	Amended by SSARS 5	12/31/82

AR TOPICAL INDEX

References are to AR section and paragraph numbers.

ACCOUNTANT, INDEPENDENT

- Association with Financial Statements 200.03
- Change in Engagement 100.44—49;
9100.06—12
100.41—42;
9100.15
- Consultation With Attorney 9100.15
- Continuing—See Continuing Independent Accountant
- Knowledge of Accounting Practices 100.10—11; 100.24—28
- Lack of Independence 100.22; 100.38
- Planning 9100.16—17
- Predecessor—See Predecessor Independent Accountant
- Reporting Obligation 100.05—07; 200.08—12; 200.28; 200.33—35; 9100.05; 9100.14
- Subsequent Discovery of Facts 100.42; 9100.13—15
- Successor—See Successor Independent Accountant
- Supervision 9100.16—17
- Tax Returns, Reporting 9100.31—32
- Understanding with Entity 100.08; 9100.08; 9100.48
- Withdrawal from Engagement 100.41; 9100.18—22; 9100.51

ACCOUNTING

- Changes—See Changes, Accounting
- Principles—See Generally Accepted Accounting Principles

ACCOUNTING PRINCIPLES BOARD

- Opinions—See Opinions, Accounting Principles Board

ACCOUNTING SERVICES

- Compilation v. Review Reports 9100.06—12
- Examples 100.02
- Independence of Accountant 100.22

ACCOUNTS RECEIVABLE—See

Receivables

ADVERSE OPINIONS

- Applicability 9100.24
- Prior Period Financial Statements 9200.02—03

AMERICAN INSTITUTE OF CPAs

- Standards for Accounting and Review Services 100.14; 100.32; 500.01—02

ANALYTICAL PROCEDURES

- Definition 100.27
- Predecessor Accountant's Procedures 200.22
- Review Procedures 100.24; 100.27; 100.32
- Unusual Items 100.27—30

ATTORNEYS—See Lawyers

AUDIT ENGAGEMENT

- Adverse Opinion 9100.24
- Change in Engagement 100.44—49
- Change in Status of Entity 200.31—32
- Compared to Compilations 100.04
- Compared to Reviews 100.04; 100.32; 100.35
- Elements of Financial Statements 9100.27—28
- Objectives 100.04

AUDIT ENGAGEMENT—continued

- Prior Period Compiled 200.27
- Prior Period Reviewed 200.27
- Subsequent Period Compiled 200.28;
- 9200.01—04
- Subsequent Period Reviewed 200.28

AUDITING STANDARDS—See Generally

Accepted Auditing Standards

AUDITORS' OPINIONS—See Opinions,

Auditors'

AUTHORITIES, REGULATORY—See

Regulatory Agencies

AUTHORIZATION

- Client's Permission to Predecessor Accountant 400.04; 400.08

CHANGE OF ACCOUNTANTS

- Predecessor—See Predecessor Independent Accountant
- Successor—See Successor Independent Accountant

CHANGES, ACCOUNTING

- Restatement of Prior Period 200.25—26

CHANGES IN FINANCIAL POSITION—

See Statements of Changes in Financial Position

CLIENTS

- Audit Procedures 9100.47
- Authorization to Predecessor Accountant 400.04; 400.08
- Change in Engagement 100.44—49
- Change of Accountants 200.16; 200.20—26; 400.03
- Departures from GAAP 9100.19—26
- Improper Use of Accountant's Name 100.06; 200.03
- Reliability of Information 100.42; 9100.13—15
- Scope Limitation 9100.51
- Subsequent Discovery of Facts 400.10
- Understanding with Accountant 100.08; 9100.08; 9100.48

CODE OF ETHICS—See Ethics, Code of

Professional

COMMUNICATION

- Audit Procedures 9100.49
- Change of Accountants 400.01—10

COMPARABILITY

- Compiled Financial Statements 200.05

COMPARATIVE FINANCIAL STATEMENTS

- Accounting Changes 200.25—26
- Change in Status of Entity 200.31—32
- Compilation Each Period 200.09; 9200.01—04
- Definition 200.07
- Departures from GAAP 200.13—15
- Effective Date 200.36
- Omission of Disclosures 200.05; 200.29—30; 9200.01—04
- One Period Audited 200.27—28
- Prescribed Forms 200.02; 300.01
- Reference to Accountant's Report 200.06; 9200.03—04
- Review Each Period 200.09

References are to AR section and paragraph numbers.

COMPARATIVE FINANCIAL**STATEMENTS—continued**

- Transition 200.33—35
- Uncertainties 9200.04

COMPETENCE

- General Standards 100.56

COMPILATION ENGAGEMENT

- Audit Procedures 100.12; 9100.46—49
- Change from Audit Engagement 100.44—49
- Change to Review Engagement 9100.06—12
- Communication Between
 - Accountants 400.01—10
 - Compilation Each Period 9200.01—04
 - Compliance with Rule 201 100.03; 500.01; 9100.16—17
 - Engagement Letter Illustrated 100.53
 - Errors or Irregularities 100.08
 - Illegal Acts 100.08
 - Knowledge of Accounting Practices 100.10—11
 - Objectives 100.04
 - Planning 9100.16—17
 - Prescribed Forms 100.18; 300.01; 9300.01—03
 - Prior Period Audited 200.28; 9200.01—04
 - Prior Period Reviewed 200.11—12; 9200.01—04
- Reports—See Compilation Reports
- Subsequent Discovery of Facts 100.42; 400.10; 9100.13—15
- Subsequent Events 200.13—15; 200.20—23
- Subsequent Period Audited 200.27
- Supervision 9100.16—17
- Tax Returns, Reporting 9100.31—32
- Understanding with Entity 100.08; 9100.48
- Withdrawal from Engagement 100.41; 9100.18—22

COMPILATION OF FINANCIAL**STATEMENTS**

- Change of Accountants 400.02
- Comparative Financial Statements 200.01—36; 9200.01—04
- Definition 100.04
- Departures from GAAP 100.18—19; 300.01; 300.03—04; 9100.43; 9300.01—03
- Effective Date 100.51; 500.03
- Elements of Financial Statements 9100.27—28
- Errors or Irregularities 100.13
- Illustrative Engagement Letter 100.53
- Omission of Disclosures—See Disclosure
- Planning 9100.16—17
- Prescribed Forms 100.05; 100.18—19; 300.01—05; 9300.01—03
- Reporting on Financial Statements 100.14—22; 500.01—03
- Standards and Procedures 100.09—22; 500.01
- Subsequent Discovery of Facts 400.10; 9100.13—15
- Supervision 9100.16—17
- Supplementary Information 100.43

COMPILATION REPORTS

- Accountant's Responsibility 100.05—07; 100.19; 200.03; 200.11—12; 9100.29—30
- Change to Review Report 9100.06—12
- Compilation Each Period 200.09; 9200.01—04
- Date of Report 100.15
- Departures from GAAP 100.19—22; 100.39—41; 200.05; 200.13—15; 200.29—30; 300.01; 300.03—05; 9100.18—26; 9100.29—30; 9100.33; 9100.39—45; 9200.04; 9300.01—03
- Disclaimer of Opinion 100.14—21; 200.30

COMPILATION REPORTS—continued

- Effective Date 500.03
- Form and Content 100.14—18; 500.01—02
- Illustrations 100.17; 100.21; 100.53; 200.09—12; 200.15; 200.19; 200.28—30; 300.03—04; 500.02; 9100.25; 9100.29—30; 9100.38; 9300.01—02
- Judgment 9100.51
- Lack of Independence 100.22; 100.38
- Modification 100.40; 9100.18—26; 9100.33—38; 9100.41—43
- Omission of Disclosures 100.19—21; 200.05; 200.29—30; 9100.01—02; 9100.29—30; 9200.01—04; 9300.01—03
- Predecessor Independent
 - Accountant 200.16—26; 200.35
 - Prescribed Forms 100.05; 100.39; 300.01—05; 9300.01—03
 - Prior Period Audited 200.28; 9200.01—04
 - Prior Period Reviewed 200.11—12; 9200.01—04
 - Scope Limitation 100.36; 9100.50—53
 - SEC Filings 9100.05
 - Single Financial Statement 100.18
 - Standards and Procedures 100.14—22; 500.01
 - Subsequent Discovery of Facts 100.42; 9100.13—15
 - Subsequent Period Audited 200.27
 - Subsequent Period Reviewed 200.10; 9100.06—12
- Successor Independent
 - Accountant 200.16—26
 - Supplementary Information 100.43
 - Tax Returns 100.02; 9100.31—32
 - Uncertainties 9100.33—40

COMPONENTS OF A BUSINESS

- Reports of Other Accountants 100.27

COMPREHENSIVE BASIS OF ACCOUNTING

- Compilation of Financial
 - Statements 9100.18—26
 - Disclosure of Basis 100.20; 300.01; 9100.39—45
- Financial Statements Defined 100.04
- Illustrations 9100.43—45
- Omission of Disclosures 100.19—20; 200.05; 9100.01—02; 9100.29—30; 9100.43
- Review of Financial Statements 100.24; 9100.18—26

CONFIDENTIAL CLIENT INFORMATION

- Disclosure of Information 400.04

CONFIRMATIONS

- Receivables 9100.46—49

CONTINGENCIES

- Communication with Predecessor
 - Accountant 400.08

CONTINUING INDEPENDENT ACCOUNTANT

- Changed Reference in Report 200.13—15
- Definition 200.07
- Prior Period Financial Statements 200.33—34
- Standard Reports 200.08—12

CORPORATE JOINT VENTURES—See

- Jointly Owned Companies

CORRECTION OF ERROR

- Restatement of Prior Period 200.26

CREDITORS

- Users of Financial Statements 100.05

DATE OF AUDITOR'S REPORT

- Subsequent Discovery of Facts 100.42; 9100.13—15
- Subsequent Period Compiled 9200.01

References are to AR section and paragraph numbers.

DEFINITIONS—See Terminology**DEPARTURES FROM ESTABLISHED****PRINCIPLES**

- Compilation of Financial Statements . . . 100.13; 100.18—19; 100.39—41; 200.05; 200.13—15; 300.01; 300.03—04; 9100.18—26; 9100.33; 9100.39—45; 9200.04; 9300.01—03
- Illustrations . . . 9100.20—21; 9100.25; 9100.43—45; 9300.01—02
- Omission of Disclosures . . . 100.19—21; 200.29—30; 300.01; 9100.01—02; 9100.29—30; 9100.38—40; 9100.43; 9300.01—03
- Prescribed Forms . . . 100.05; 100.39; 300.01; 300.03—05; 9300.01—03
- Review of Financial Statements . . . 100.39—41; 200.13—15; 9100.01—02; 9100.18—26; 9100.33; 9100.41—45; 9200.04; 9300.01—03
- Unaudited Financial Statements . . . 300.01; 300.03

DISCLAIMER OF OPINION

- Compilation Reports . . . 200.30
- Illustration . . . 200.34
- Prior Period Financial Statements . . . 200.02; 200.17; 200.32—35; 9200.02—03

DISCLOSURE

- Accounting Changes . . . 200.26
- Comprehensive Basis of Accounting . . . 9100.39—45
- Departures from GAAP . . . 300.01; 9100.18—26; 9100.33; 9100.38—45; 9300.01—03
- Errors or Irregularities . . . 100.08; 100.13
- Illegal Acts . . . 100.08
- Inadequate . . . 100.12—13; 200.13
- Omission of Disclosures . . . 100.19—21; 200.05; 200.29—30; 300.01; 9100.01—02; 9100.29—30; 9100.39—40; 9100.43; 9200.01—04; 9300.01—03
- Prescribed Forms . . . 100.19; 300.01; 9300.01—03
- Privileged Communication . . . 400.04
- Subsequent Events . . . 200.23
- Uncertainties . . . 9100.33—40

DISCOVERY

- Financial Statements of Predecessor . . . 400.10
- Subsequent Discovery of Facts . . . 100.42; 400.10; 9100.13—15

DUE PROFESSIONAL CARE

- General Standards . . . 100.56

ELEMENTS OF FINANCIAL STATEMENTS

- Special Reports . . . 9100.27—28

EMPHASIS OF A MATTER

- Departures from GAAP . . . 9100.25—26
- Prior Period Financial Statements . . . 200.17; 9200.03
- Uncertainties . . . 9200.04

ENGAGEMENT

- Audit—See Audit Engagement
- Compilation—See Compilation Engagement
- Review—See Review Engagement

ENGAGEMENT LETTERS

- Compilation of Financial Statements . . . 100.53
- Review of Financial Statements . . . 100.54

ERRORS OR IRREGULARITIES

- Compilation of Financial Statements . . . 100.08; 100.13; 9100.18—26
- Review of Financial Statements . . . 100.08; 9100.18—26

ESTIMATION

- Uncertainties . . . 9100.36—38

ETHICS, CODE OF PROFESSIONAL

- Disclosure of Confidential Information . . . 400.04
- Interpretation 101-3 . . . 100.22
- Interpretation 501-1 . . . 400.08
- Rule 201, Rules of Conduct . . . 100.03; 100.56; 500.01; 9100.16—17
- Working Papers . . . 400.08

EVENTS

- Subsequent—See Subsequent Events

EVIDENTIAL MATTER

- Audit Procedures . . . 100.29; 9100.47

EXAMPLES—See Illustrations**FINANCIAL ACCOUNTING STANDARDS****BOARD**

- Statement No. 5 . . . 9100.34
- Statement No. 21 . . . 9100.05
- Statement No. 47 . . . 9100.34

FINANCIAL INFORMATION—See

Financial Statements

FINANCIAL POSITION

- Nonpublic Enterprises . . . 9100.14

FINANCIAL STATEMENTS

- Accountant's Responsibility . . . 200.03
- Comparative—See Comparative Financial Statements
- Compilation—See Compilation of Financial Statements
- Conformity with GAAP . . . 100.27
- Definition . . . 100.04
- Disclosures—See Disclosure
- Elements—See Elements of Financial Statements
- Examples . . . 100.04
- Financial Information . . . 9100.31—32
- Investees . . . 100.27
- Misleading—See Misleading Financial Statements
- Restatement of Prior Period . . . 200.25—26
- Review—See Review of Financial Statements
- Scope Limitation . . . 100.36; 9100.52
- SEC Filings . . . 9100.03—05
- Subsequent Discovery of Facts . . . 100.42; 400.10; 9100.13—15
- Subsidiaries . . . 100.27
- Unaudited—See Unaudited Financial Statements
- Uncertainties—See Uncertainties
- Usefulness . . . 9100.52

FOOTNOTES—See Notes to Financial Statements**FORECASTS**

- General Standards . . . 100.56

FRAUD—See Errors or Irregularities**FUNDS STATEMENT**—See Statements of Changes in Financial Position**GENERAL STANDARDS**

- Rule 201, Rules of Conduct . . . 100.03; 100.56; 500.01; 9100.16—17

GENERALLY ACCEPTED ACCOUNTING**PRINCIPLES**

- Analytical Procedures . . . 100.27
- Basis of Accounting . . . 100.04; 9100.40—41
- Departures—See Departures from Established Principles
- Disagreement with Management . . . 400.05
- Omission of Disclosures . . . 100.19—21; 200.05; 200.13; 200.29—30; 300.01; 9100.01—02; 9100.29—30; 9200.01; 9200.04; 9300.01—02

References are to AR section and paragraph numbers.

GENERALLY ACCEPTED ACCOUNTING

- PRINCIPLES**—continued
- Review of Financial Statements 100.24—29; 100.32—35

GENERALLY ACCEPTED AUDITING STANDARDS

- Change of Auditors 400.03
- Objective of Audit 100.04; 100.35
- Planning 9100.16—17
- Supervision 9100.16—17

GOING CONCERN

- Uncertainties 9100.34

ILLEGAL ACTS

- Understanding Concerning Engagement 100.08

ILLUSTRATIONS

- Compilation Engagement Letter 100.53
- Compilation Report 100.17; 100.21; 100.40; 100.53; 200.09—12; 200.15; 200.19; 200.28—30; 300.03—04; 500.02; 9100.25; 9100.29—30; 9100.38; 9300.01—02
- Comprehensive Basis of Accounting 9100.43—45
- Departures from GAAP 100.40; 200.15; 300.03—04; 9100.20—21; 9100.25; 9100.43—45; 9300.01—02
- Disclaimer of Opinion 200.34
- Inquiries for Review Engagement 100.52
- Omission of Disclosures 100.21; 200.30; 9100.29—30
- Prior Period Audited 200.28
- Representation Letter 100.55
- Review Engagement Letter 100.54
- Review Reports 100.35; 100.40; 100.54; 200.09—12; 200.15; 200.18; 200.28; 9100.25; 9100.38
- Successor Accountant's Report 200.18—19
- Uncertainties 9100.38

INCOME TAX RETURNS—See Tax Returns**INDEPENDENCE**

- Accountant Not Independent 100.22; 100.38

INDUSTRY PRACTICES

- Knowledge Requirements 100.10—11; 100.24—28

INFORMATION

- Reliability 100.42; 9100.13—15
- Scope Limitation 9100.51—52
- Subsequent Discovery of Facts 100.42; 9100.13—15

INQUIRIES

- Compilation Procedures 100.12; 9100.47
- Illustrative Inquiries 100.52
- Predecessor Accountant's Procedures 200.22
- Review Procedures 100.24; 100.27; 100.32
- Successor Accountant's Procedures 400.04

INSTITUTE—See American Institute of CPAs**INTERNAL CONTROL**

- Study and Evaluation 100.29; 9100.47

INVENTORIES

- Observation 9100.46—49

INVESTEES

- Controlled By Publicly Traded Enterprise 100.04; 200.01
- Financial Statements 100.27

IRREGULARITIES—See Errors or Irregularities**JOINTLY OWNED COMPANIES**

- Controlled by Publicly Traded Enterprise 100.04; 200.01

JUDGMENT

- Compilation Report 9100.51
- Incomplete Review 100.36
- Independence of Accountant 100.22
- Public v. Nonpublic Entity 9100.04
- Subsequent Discovery of Facts 9100.13—15

KNOWLEDGE

- Industry Accounting Practices 100.10—11; 100.24—28

LAWSUITS—See Litigation**LAWYERS**

- Accountant's Withdrawal from Engagement 100.41
- Client's Improper Use of Statements 100.06; 200.03
- Predecessor Independent Accountant 200.24
- Subsequent Discovery of Facts 100.42; 400.10; 9100.15

LETTERS OF REPRESENTATION—See Representation Letters**LIMITED ASSURANCE**

- Review of Financial Statements 100.24; 100.36; 9100.24

LITERATURE—See Publications**LITIGATION**

- Inquiries from Successor Accountant 400.06
- Responses from Predecessor Accountant 400.06

MANAGEMENT

- Change of Accountants 400.03
- Disagreement with Predecessor Accountant 400.05
- Integrity 400.05
- Omission of Disclosures 100.12; 200.30; 9100.02; 9100.26; 9100.29—30
- Representation Letters 100.31; 100.55
- Responsibility for Financial Statements 100.14; 100.17; 100.21; 100.32—34; 500.02; 9100.29—30
- Users of Financial Statements 100.05

MATERIALITY

- Departures from GAAP 9100.33—34

MEASUREMENT

- Prescribed Forms 300.01; 9300.01—03

MISLEADING FINANCIAL STATEMENTS

- Departures from GAAP 9100.19—22
- Omission of Disclosure 9100.39

MISTAKES—See Errors or Irregularities**NONBUSINESS ORGANIZATIONS**

- Understanding of Entity 100.24

NONPROFIT ORGANIZATIONS—See Nonbusiness Organizations**NONPUBLIC ENTERPRISES**

- Change in Engagement 100.44—49
- Change of Status of Entity 200.31—32
- Comparative Financial Statements 200.01—36
- Compilation of Financial Statements 100.01; 400.01; 9100.16—17; 9300.01—03
- Definition 100.04; 200.01; 9100.04—05
- Elements of Financial Statements 9100.27—28
- Prescribed Forms 300.01—05; 9300.01—03

References are to AR section and paragraph numbers.

NONPUBLIC ENTERPRISES—continued

- Review of Financial Statements 100.01; 400.01; 9100.16—17; 9300.01—03
- SEC Filings 9100.03
- Tax Returns, Reporting 9100.31—32
- Unaudited Financial Statements 100.01; 100.06; 9100.03—05
- Users of Financial Statements 9100.14

NOTES TO FINANCIAL STATEMENTS

- Disclosure of Basis of Accounting 9100.40; 9100.43

NOTIFICATION

- Users of Financial Statements 9100.14

OPINIONS, ACCOUNTING PRINCIPLES BOARD

- Number 28 9100.05

OPINIONS, AUDITORS'

- Disclaimer on Compilation Reports 100.14—21
- Disclaimer on Review Reports 100.32—35
- Elements of Financial Statements 9100.27—28
- Prior Period Audited 200.28

OWNERS—See Stockholders/Owners**PLANNING**

- General Standards 100.56; 9100.16—17

PREDECESSOR INDEPENDENT ACCOUNTANT

- Availability of Working Papers 400.08
- Changed Prior Period Statements 200.25—26
- Communication with Successor Accountant 400.01—10
- Compilation Engagements 400.01—10
- Compilation Report Not Presented 200.16—19
- Compilation Report Reissued 200.16; 200.20—24
- Consultation with Successor 400.08
- Contingencies 400.08
- Definition 400.02
- Disagreement with Client 400.05
- Fees 400.06; 400.08
- Inquiries 400.04; 400.07
- Legal Advice on Reissuance of Report 200.24
- Procedures for Reissuing Report 200.16; 200.20—24; 200.35
- Representation Letters 200.23
- Responses to Successor Accountant 400.01; 400.06
- Review Engagements 400.01—10
- Review Report Not Presented 200.16—19
- Review Report Reissued 200.20—24
- Subsequent Discovery of Facts 400.10
- Working Papers 400.08

PRESCRIBED REPORT FORMS—See Special Reports**PRINCIPLES, ACCOUNTING—See Generally Accepted Accounting Principles****PRIVILEGED COMMUNICATION—See Confidential Client Information****PUBLICATIONS**

- Information on Planning 9100.17
- Information on Supervision 9100.17

PUBLICLY TRADED COMPANIES

- Change of Status of Entity 200.31—32
- Compared to Nonpublic Entities 100.04; 200.01
- Corporate Joint Ventures 100.04; 200.01
- SEC Filings 9100.03—05

QUALIFIED OPINION

- Prior Period Financial Statements 9200.02—04

RECEIVABLES

- Confirmations 9100.46—49

REGULATORY AGENCIES

- Filing for Sale of Securities 100.04; 200.01
- Prescribed Forms 300.02
- Taxing Authorities 9100.31—32

RELEVANCE

- General Standard 100.56

RELIABILITY

- Assertions By Management 100.42; 9100.13—15

REPORTS

- Accountant's Reporting Obligation 100.05—07; 200.08
- Change of Status of Entity 200.31—32
- Compilation—See Compilation Reports
- Date of Reissued Report 200.23; 200.33
- Other Accountants 100.27
- Reissued 200.07—08; 200.11; 200.20—24; 200.28; 200.33—35
- Review—See Review Reports
- Tax Returns 9100.31—32
- Understanding with Entity 100.08; 9100.48
- Updated 200.07—08; 200.15

REPRESENTATION LETTERS

- Illustration 100.55
- Information for Predecessor Accountant 200.23
- Obtained from Management 100.31

RESULTS OF OPERATIONS

- Nonpublic Enterprises 9100.14

REVIEW ENGAGEMENT

- Audit Procedures 100.29; 9100.46—49
- Change from Audit Engagement 100.44—49
- Communication Between Accountants 400.01—10
- Compared to Audit 100.04; 100.32; 100.35
- Compliance with Rule 201 100.03; 9100.16—17
- Engagement Letter Illustrated 100.54
- Errors or Irregularities 100.08
- Illegal Acts 100.08
- Illustrative Inquiries 100.52
- Illustrative Representation Letter 100.55
- Knowledge of Accounting Practices 100.24—28
- Objectives 100.04
- Planning 9100.16—17
- Prescribed Forms 9300.03
- Prior Period Audited 200.28
- Reports—See Review Reports
- Subsequent Discovery of Facts 100.42; 400.10; 9100.13—15
- Subsequent Events 100.27; 200.13—15; 200.20—23
- Subsequent Period Audited 200.27
- Subsequent Period Compiled 200.11—12; 9200.01—04
- Supervision 9100.16—17
- Tax Returns, Reporting 9100.31—32
- Understanding with Entity 100.08; 9100.48
- Withdrawal from Engagement 100.41; 9100.18—22
- Working Papers 100.30

REVIEW OF FINANCIAL STATEMENTS

- Change of Accountants 400.02
- Comparative Financial Statements 200.01—36; 9200.01—04

REVIEW OF FINANCIAL STATEMENTS—

continued	
Definition	100.04
Effective Date	100.51
Elements of Financial Statements	9100.27—28
Illustrative Engagement Letter	100.54
Illustrative Inquiries	100.52
Illustrative Representation Letter	100.55
Incomplete	100.36
Internal Accounting Control	100.29
Limited Assurance	100.24; 100.36
Omission of Disclosures	9100.01—02
Planning	9100.16—17
Prescribed Forms	100.05
Standards and Procedures	100.23—38
Subsequent Discovery of Facts	100.42; 400.10; 9100.13—15
Supervision	9100.16—17
Supplementary Information	100.43
Working Papers	100.30

REVIEW REPORTS

Accountant's Responsibility	100.05—07; 200.03; 200.11—12
Date of Report	100.33
Departures from GAAP	100.39—41; 200.13— 15; 9100.01—02; 9100.18—26; 9100.33; 9100.41—45; 9200.04
Disclaimer of Opinion	100.32—35
Elements of Financial Statements	9100.27—28
Form and Content	100.32—38
Illustrations	100.35; 100.54; 200.09—12; 200.15; 200.18; 200.28; 9100.25; 9100.38
Lack of Independence	100.38
Modification	100.40; 9100.18—26; 9100.33— 38; 9100.41—43; 9300.01—03
Predecessor Independent	
Accountant	200.16—26
Prescribed Forms	300.03; 9300.01—03
Prior Period Audited	200.28
Prior Period Compiled	200.10; 9100.06—12
Review Each Period	200.09
Scope Limitation	100.36; 9100.50
SEC Filings	9100.05
Single Financial Statement	100.37
Subsequent Discovery of Facts	100.42; 9100.13—15
Subsequent Period Audited	200.27
Subsequent Period Compiled	200.11—12; 9200.01—04
Successor Independent	
Accountant	200.16—26
Supplementary Information	100.43
Tax Returns	100.02; 9100.31—32
Uncertainties	9100.35—38

RULES OF CONDUCT

Rule 201	100.03; 100.56; 500.01; 9100.16—17
----------	------------------------------------

SCOPE OF EXAMINATION

Limitations	9100.50—53
Restriction on Scope	100.36

SECURITIES AND EXCHANGE COMMISSION

Unaudited Financial Statements	9100.03— 05
--------------------------------	----------------

SHAREHOLDERS—See
Stockholders/Owners**SOURCES OF INFORMATION**

Subsequent Discovery of Facts	9100.14
-------------------------------	---------

SPECIAL REPORTS

Comparative Financial Statements	200.02; 300.01
Compilation of Financial Statements	300.01—05; 9300.01—03
Departures from GAAP	100.05; 100.18—19; 100.39; 300.01; 300.03—05; 9300.01—03

SPECIAL REPORTS—continued

Disclosure	100.19; 300.01; 9300.01—03
Elements of Financial Statements	9100.27—28
Illustrations	300.03—04; 9300.01—02
Measurement	300.01; 9300.01—03
Nonpublic Entity	300.02; 9300.01—03
Prescribed Forms	100.05; 100.18—19; 100.39; 200.02; 300.01—05; 9300.01—03
Regulatory Agencies	300.02
Unaudited Financial Statements	300.01; 300.03; 9300.01—03

STANDARDS, GENERAL—See General Standards**STANDARDS OF REPORTING**

Compilation of Financial Statements	100.14; 500.01—03
Review of Financial Statements	100.32
Tax Returns	9100.31—32

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Omission in Compilation	100.21; 100.40
-------------------------	----------------

STATEMENTS OF SOURCE AND APPLICATION OF FUNDS—See

Statements of Changes in Financial Position	
---	--

STATEMENTS ON AUDITING STANDARDS

Applicability, General	9100.16—17
Change of Status of Entity	200.31—32
No. 1, Section 561	100.42; 9100.13—15
No. 2	9200.02
No. 7	400.03
No. 14	100.04; 200.05; 300.01; 9100.28
No. 22	9100.16—17
No. 26	200.02; 200.33; 200.35; 400.09
No. 34	9100.34
No. 35	9100.28
Prior Period Compiled	200.27
Prior Period Reviewed	200.27
SEC Filings	9100.05
Unaudited Financial Statements	100.01

STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES

Applicability	100.01—02; 300.01
No. 1	100.01—56; 300.01—02; 300.04; 400.10
No. 2	200.01—36; 300.01; 400.09
No. 3	100.05; 100.18—19; 100.39; 200.02; 300.01—05
No. 4	400.01—10
No. 5	500.01—03

STOCK—See Inventories**STOCKHOLDERS/OWNERS**

Actions Taken at Meetings	100.27
Users of Financial Statements	100.05

SUBSEQUENT DISCOVERY OF FACTS—
See Discovery**SUBSEQUENT EVENTS**

Compilation Engagements	200.13—15; 200.20—23
Review Engagements	100.27; 200.13—15; 200.20—23

SUCCESSOR INDEPENDENT ACCOUNTANT

Changed Prior Period Statements	200.25—26
Communication with Predecessor Accountant	400.01—10
Compilation Engagements	400.01—10
Consultation with Predecessor	400.08
Contingencies	400.08
Definition	400.02
Inquiries	400.03—09

References are to AR section and paragraph numbers.

SUCCESSOR INDEPENDENT**ACCOUNTANT**—continued

- . Reference to Predecessor's Report 200.16—19; 200.21; 200.25; 200.35; 400.09
- . Relation to Predecessor Accountant 200.16; 200.21—22
- . Review Engagements 400.01—10
- . Subsequent Discovery of Facts 400.10
- . Working Papers of Predecessor 400.08

SUPERVISION

- . General Standards 100.56; 9100.16—17

SUPPLEMENTAL FINANCIAL INFORMATION

- . Compilation of Financial Statements 100.43
- . Elements of Financial Statements 9100.27—28
- . Review of Financial Statements 100.43

TAX RETURNS

- . Relation to Compilation Report 100.02; 9100.31—32
- . Relation to Review Report 100.02; 9100.31—32

TERMINOLOGY

- . Analytical Procedures 100.27
- . Comparative Financial Statements 200.07
- . Compilation of Financial Statements 100.04
- . Continuing Accountant 200.07
- . Financial Statements 100.04
- . Nonpublic Entity 100.04; 200.01; 9100.04—05
- . Predecessor Accountant 400.02
- . Prescribed Form 300.02
- . Reissued Report 200.07
- . Review of Financial Statements 100.04
- . Successor Accountant 400.02
- . Updated Report 200.07

UNAUDITED FINANCIAL STATEMENTS

- . Accountant's Responsibility 100.06—07; 200.03
- . Disclaimer of Opinion 200.02
- . Nonpublic Entities 100.01; 100.06
- . Prescribed Forms 300.01; 300.03; 9300.01—.03
- . Public Entities 100.01

UNAUDITED FINANCIAL STATEMENTS—

continued

- . SEC Filings 9100.03—.05

UNCERTAINTIES

- . Applicability of FASB Statements 9100.34
- . Applicability of Statements on Auditing Standards 9100.34
- . Applicability of Statements on Standards for Accounting and Review Services 9100.37—.40
- . Disclosure 9100.33—.40
- . Financial Statements 9100.33—.40
- . Going Concern Concept 9100.34
- . Illustrations 9100.38
- . Omission of Disclosure 9100.39—.40
- . Prior Period Financial Statements 9200.04

UNDERSTANDING WITH ENTITY

- . Contents 100.08; 9100.08; 9100.48

UNUSUAL ITEMS

- . Analytical Procedures 100.27—30

USEFULNESS

- . Financial Statements with Scope Limitation 9100.52

USERS

- . Limited Assurance 100.32; 9100.24
- . Reliance on Financial Statements 9100.14; 9100.39—.40
- . Uncertainties 9200.04

VENTURES, JOINT—See Jointly Owned Companies**VIOLATIONS OF LAW**—See Illegal Acts**WITHDRAWAL FROM COMPILATION ENGAGEMENT**—See Compilation Engagement**WITHDRAWAL FROM REVIEW****ENGAGEMENT**—See Review Engagement**WORKING PAPERS**

- . Predecessor Accountant 400.08
- . Review of Financial Statements 100.30
- . Reviewed by Predecessor Accountant 200.22
- . Successor Accountant 400.08