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**Reporting on personal financial plans (proposed SSARS); (Exposure draft (American Institute of Certified Public Accountants), 1985, December 12**

American Institute of Certified Public Accountants. Technical Information Division

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(Proposed SSARS)
March 4, 1985

To the Accounting and Review Service Committee

Re: Reporting on Personal Financial Plans

Attached is a revised draft on the proposed Statement on Standards for Accounting and Review Services, entitled Reporting on Personal Financial Plans as discussed by the Financial Planning Task Force at its meeting in Washington.

This draft has been sent to the Personal Financial Planning Committee for comments and will be discussed at our meeting on March 18 in New Orleans.

Sincerely,

Phyllis J. Bernstein, CPA
Technical Manager
Technical Information Division

Attachment
An exposure draft of a proposed Statement on Standards for Accounting and Review Services, entitled Reporting on Personal Financial Plans accompanies this letter.

SSARS 1 requires, as a minimum that an accountant comply with the standards established for compilation services whenever they submit a financial statement to their client or others.

Increasingly, accountants are providing comprehensive personal financial planning services to clients which may include personal financial statements, supplementary explanatory information and prospective financial information. Often personal financial plans present financial information on transactions which may be historical, pro forma or prospective. This information is often interspersed through narrative material and recommendations, which taken as a whole, comprises the overall personal financial plan.

Some accountants assert that users of personal financial plans understand the nature, limitations, and objectives of a personal financial plan and that financial statements are incidental to the preparation of the plan. Given those assertions, applying SSARS would require some unusual considerations which include:

- Placement of the report when statements are interspersed with narrative.
- Identifying supplementary information when the narrative includes partial presentations.
The most effective reporting could result in a report on historical but not prospective statements prepared for managements own use.

Financial presentation are often prepared differently than those presentations prepared in accordance with generally accepted accounting principles used for credit granting purposes.

The committee has an ongoing obligation to consider the relationship between the cost imposed by a standard and the benefit reasonably expected to be derived from it. A personal financial plan is developed to assist the client in achieving financial objectives. The accountants concern is with whether the degree of their responsibility for those financial statements (historical and prospective) is adequately communicated.

Comments or suggestions on any aspect of the exposure draft will be appreciated. Responses should be sent to the AICPA Accounting and Review Services Committee, File 9400, in time to be received by _____________. Written comments on the exposure draft will become part of the public record of the AICPA Accounting and Review
Services Committee and will be available for public inspection at the offices of the American Institute of Certified Public Accountants after ________________.

Sincerely,

Stephen D. Holton
Chairman
Accounting and Review Services Committee

George R. Dick
Director
Technical Information Division
SUMMARY

This proposed Statement provides accountants with the reporting guidance on financial data included in a personal financial plan when the accountant prepares the plan, or consents to the use of his name in conjunction with a personal financial plan.

Specifically the proposed Statement would:

- Change reporting standards.
- Permit an accountant to assemble personal financial data to be included in a financial plan without complying with SSARS 1 when it is to be used solely by the client, and the client's advisors for purposes other than credit.
- Require an accountant at a minimum to compile personal financial data to be included in a financial plan to comply with SSARS 1 when the financial plans or parts thereof, will be used to obtain credit or for other purposes which require the plan to be submitted to a third party (other than the client's advisors).
Proposed Authoritative Statement
Reporting on Personal Financial Plans

1. This statement provides an exemption to Statement on Standards for Accounting and Review Services 1 related to financial data presentations in personal financial plans. This statement requires an accountant, at a minimum, to include a written legend in the plan, but does not preclude the accountant from issuing a SSARS report. This statement does not establish standards or procedures for any other aspect of personal financial planning services.

2. An accountant as part of his personal financial planning services may be requested to provide a client with a written personal financial plan. A personal financial plan may include personal financial data and supplementary explanatory information; and prospective financial information (such as projected income and/or cash flow). Personal financial statements included in such plans may omit many of the disclosures required by generally accepted accounting principles (or another comprehensive basis of accounting) and might contain departures from the measurement principles of that basis.

3. An accountant may submit a personal financial plan to his client without complying with the requirements of Statement on Standards for Accounting and Review Services 1 when the following conditions exist:
A) The accountant establishes an understanding with the client, preferably in writing, regarding the services to be performed which includes an understanding that the financial data (historical and prospective) will be used solely by the client and the client's advisors in assisting the client to achieve the client's overall personal financial goals and objectives and will not to be used for credit granting or other third party purposes.

B) During the engagement nothing comes to the accountants attention which causes the accountant to believe that information is being used for any other purposes.

4. When an accountant's compilation or review report is not issued on a personal financial plan under paragraph 3 above, a legend should be included at the beginning of the plan. The legend should describe the nature and limitations of the financial statements. It should indicate that the personal financial plan is designed to help the client evaluate the client's goals and objectives and is not intended to present the client's net worth or prospective net worth in accordance with standards established by the American Institute of Certified Public Accountants.
5. The following is an example of an appropriate legend:

The financial presentations, historical and prospective, included in this personal financial plan are designed to help you evaluate your financial goals and objectives. They are not intended to present your statement of financial condition, statement of changes in net worth or prospective net worth in accordance with standards established by the American Institute of Certified Public Accountants. They should not be submitted to any third party, except for use by your financial advisors to assist you in implementing the plan. They should not be used for credit purposes because personal financial statements for credit purposes may differ from some of the presentations herein.

6. There is a presumption that when a legend is used, the information provided is sufficient to meet the objectives of evaluating financial goals, and accordingly, the client does not need to be advised of specific departures from generally accepted accounting principles (or another comprehensive basis of accounting) as is required by SSARS 1. Therefore in the absence of a request by the client
or any other party to perform a compilation or review, the
accountant is not required to follow the guidance in
paragraphs 39 through 41 of SSARS 1 regarding such departures.

7. Each page of the personal financial plan showing financial
presentations which does not include compiled or reviewed
financial statements should include a reference such as
"see Accountant's Legend."

8. The requirements of SSARS 1, as amended, are applicable
when the historical unaudited financial statements included
in the personal financial plan are to be used by any third
party for credit or purposes.

9. The requirements of [the Statement and Guide on Prospective
Financial Statements] are applicable to any prospective
statements included in the personal financial plan.

Effective Date

10. This statement is effective for reports on financial data
included in personal financial plans issued on or after
[three months after date of issuance of final statement].
Earlier application is encouraged.