2-9-1983

**Proposed Guide for Financial Forecasts and Projections; Exposure draft (American Institute of Certified Public Accountants), 1983, Feb. 9**

American Institute of Certified Public Accountants. Auditing Standards Board

Follow this and additional works at: [https://egrove.olemiss.edu/aicpa_sop](https://egrove.olemiss.edu/aicpa_sop)

Part of the Accounting Commons
We have compiled the projected financial statements referred to above in accordance with applicable guidelines established by the American Institute of Certified Public Accountants. A compilation of a financial projection does not include evaluation of the support for the assumptions underlying the projection. Because a compilation of a financial projection is limited as described above, we do not express a conclusion or any other form of assurance on the accompanying statements or assumptions. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projection and this report were prepared for (state special purpose, e.g. presentation to the Board of Directors of XYZ Company for its considerations as to whether to add a third operating shift) and should not be relied on for any other purpose.

Reporting On Compiled Special Purpose Prospective Financial Statements That Omit Certain Disclosures

.03 An entity may request an accountant to compile special purpose prospective financial statements that omit disclosures other than those relating to significant assumptions\(^5\). The accountant may compile such prospective financial statements provided the omission 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 statements.

.04 Notwithstanding the above, if the compiled prospective financial statements presented on 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.

.05 The following is an example of a report on compiled special purpose prospective financial statements in which the summary of significant accounting policies has been omitted. (The added paragraph is underscored).

\(^5\) If any of the minimum items in section 400.05 (a) through (h) is omitted, the presentation is a partial presentation. See Section 880.
The accompanying projected balance sheet, statements of income, retained earnings, and changes in financial position, and summaries of significant assumptions and accounting policies of XYZ Company as of December 31, 19XX and for the year then ending is management's estimate of financial position, results of operations, and changes in financial position that would result if an additional assembly plant were built. The projected financial statements are based on management's assumptions and estimates, however, they should not necessarily be regarded as the most probable future financial results. However, even if the assembly plant were built, some assumptions inevitably would not materialize and unanticipated events and circumstances might occur; therefore, the actual results attained during the projection period would vary from the financial projection, and the variations might be material.

We have compiled the projected financial statements referred to above in accordance with applicable guidelines established by the American Institute of Certified Public Accountants. A compilation of a financial projection does not include evaluation of the support for the assumptions underlying the projection. Because a compilation of a financial projection is limited as described above, we do not express a conclusion or any other form of assurance on the accompanying statements or assumptions. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management has elected to omit the summary of significant accounting policies required by the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the financial forecast, they might influence the user's conclusions about financial position for the forecast period. Accordingly, this financial forecast is not designed for those who are not informed about such matters.

The accompanying projection and this report were prepared for presentation to management of XYZ Company for its consideration as to whether to build an additional assembly plant and should not be relied on for any other purpose.

Reporting on Special Purpose Prospective Financial Statements for Internal Use Only

.06 The accountant may be engaged to compile special purpose prospective financial statements for which the distribution will be limited to persons within the entity. Although the procedures for such a service would be those described in section 600, as modified by section 860, it may be appropriate to vary the wording of the accountant's report on the compilation.

.07 The form and content of a report on a compilation of special purpose prospective
financial statements for internal use only is more flexible than for the compilation reports described in section 620. However, when the accountant performs the service described in this section, his report, at a minimum, should:

a. be addressed to the responsible party
b. identify the statements being compiled
c. indicate the level of assurance he is giving with regard to the assumptions without vouching for his achieveability of the prospective results
d. indicate the restrictions as to the distribution and usefulness of the prospective financial statements and report
e. state that the accountant has no responsibility to update his report for events and circumstances occurring after the date of his report
f. be dated as of the date of the completion of his compilation procedures

.08 In addition to the above, where applicable the accountant's report should:

a. indicate if he is not independent with respect to the entity
b. describe any omission of any disclosures (see section 862.03)

2/ The accountant should also consider the guidance in Ethics rule 201(e) and related interpretation on reporting on prospective financial statements (see excerpts in Section 800.05).

3/ The accountant's assurance as to the assumptions should not be similar to that given on a review of prospective financial statements unless he complies with the procedures for a review in section 700.
Section 870 Procedures for a Review of Special Purpose Prospective Financial Statements

.01 This section demonstrates how section 700, Procedures for a Review of Prospective Financial Statements, would be modified when the accountant reviews a special purpose presentation.

.02 Because of the nature of special purpose prospective financial statements, the accountant's independent review of such statements is somewhat different than it is for general purpose statements. The accountant's procedures and reporting on reviews of special purpose presentations differ primarily because they are concerned with the support for assumptions given the occurrence of the stipulated assumptions and the presentation of the prospective financial statements for conformity with the presentation guidelines in section 400, as modified by section 840.

.03 As a result of his review the accountant has a basis for reporting on whether the special purpose prospective financial statements are presented in conformity with AICPA guidelines and whether the assumptions provide a reasonable basis for the responsible party's presentation given the stipulated assumptions. Accordingly, the guidelines for a review (section 500.05 (g)) would be so modified for a review of a special purpose presentation.

Susceptibility to Review

.04 Before the accountant undertakes to perform a review of special purpose prospective financial statements, he should consider whether the statements are susceptible to review (see section 850.05-.06). Special purpose prospective financial statements that the responsible party is unwilling or unable to assert are most probable