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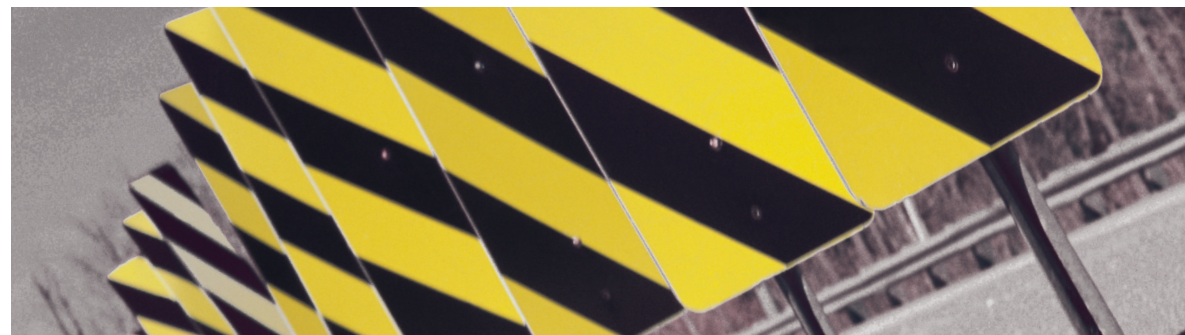
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2011/12

Compilation and Review Developments

COMPILATION AND REVIEW ALERT



STRENGTHENING ENGAGEMENT QUALITY
SAFEGUARDING FINANCIAL REPORTING

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STRENGTHENING ENGAGEMENT QUALITY
SAFEGUARDING FINANCIAL REPORTING



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Notice to Readers

This Compilation and Review Alert replaces *Compilation and Review Developments—2010/11*.

This Compilation and Review Alert (alert) is intended to provide accountants with an update on recent practice issues and professional standards that affect compilation and review engagements. This alert also can be used by an entity's internal management to address areas of concern.

This publication is an *other compilation and review publication*, as defined in AR section 60, *Framework for Performing and Reporting on Compilation and Review Engagements* (AICPA, *Professional Standards*). Other compilation and review publications have no authoritative status; however, they may help the accountant understand and apply Statements on Standards for Accounting and Review Services.

If an accountant applies the guidance included in an other compilation and review publication, he or she should be satisfied that, in his or her judgment, it is both relevant to the circumstances of the engagement and appropriate. The guidance in this document has been reviewed by the AICPA Audit and Attest Standards staff and published by the AICPA and is presumed to be appropriate. This document has not been approved, disapproved, or otherwise acted on by a senior committee of the AICPA.

Recognition

The AICPA would like to thank the members of the Accounting and Review Services Committee for their invaluable review of this year's publication.

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Feedback

The *Compilation and Review Developments* alert is published annually. As you encounter issues that you believe warrant discussion in next year's alert, please feel free to share them with us. Any other comments that you have about the alert also would be appreciated. You may e-mail these comments to A&APublications@aicpa.org.

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How This Alert Helps You

.01 This Compilation and Review Alert (alert) helps you plan and perform your compilation and review engagements and can be used by an entity's internal management to address areas of concern. This alert discusses recent Statements on Standards for Accounting and Review Services (SSARSs) developments, addresses emerging practice issues, and provides valuable information regarding current accounting developments. You should refer to the full text of accounting and compilation and review pronouncements, as well as the full text of any rules or publications that are discussed in this alert.

Common Implementation Issues Regarding SSARS No. 19

New Compilation Reporting Option

.02 SSARS No. 19, *Compilation and Review Engagements* (AICPA, *Professional Standards*), provides accountants who perform compilation engagements when they are not independent the option to disclose the reasons for an independence impairment in the accountant's compilation report. The accountant is not required to disclose the reasons for an independence impairment in his or her compilation report and may continue to disclose the lack of independence by simply stating "I am (we are) not independent with respect to XYZ Company."

.03 However, if the accountant determines to disclose the reasons for a lack of independence in the accountant's compilation report, the accountant should ensure that all of the reasons the accountant's independence is impaired are disclosed. This does not mean that the accountant is required to disclose specific accounting and bookkeeping services that were performed. Instead, the requirement is such that if the accountant's independence is impaired because of the performance of certain accounting and bookkeeping services and the accountant also has a direct financial interest in the client, the disclosure would have to include both elements that impaired independence. No limitation exists on what the accountant can disclose.

.04 Some practitioners have cautioned that disclosure of the reasons for an independence impairment in the accountant's compilation report implies to users of the compiled financial statements that the accountant has obtained a level of assurance with respect to the financial statements. Accountants should exercise professional judgment in determining whether to disclose the reasons for an independence impairment as well as the level of detail in the disclosure.

Issues Regarding the Design and Performance of Review Procedures

A Review Is an Assurance Engagement

.05 Many accountants have come to consider the review engagement as an exercise in performing analytical procedures and making inquiries of management. However, a review is more than that. A review is an assurance engagement and, as such, has certain similarities to an audit engagement.

.06 A review requires the accumulation of review evidence that will provide the accountant with limited assurance that there are no material modifications that should be made to the financial statements. In an audit,

the auditor accumulates audit evidence in order to obtain reasonable assurance.

Tailoring Review Procedures to Each Client

.07 The accountant uses professional judgment to determine the specific procedures performed in the review engagement.

.08 Paragraph .14 of AR section 90, *Review of Financial Statements* (AICPA, *Professional Standards*), states that based on

- a. the accountant's understanding of the industry,
- b. his or her knowledge of the client, and
- c. his or her awareness of the risk that he or she may unknowingly fail to modify the accountant's review report on financial statements that are materially misstated,

the accountant should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to accumulate review evidence in obtaining 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 the applicable financial reporting framework.

.09 The aforementioned paragraph requires the accountant to tailor the review procedures that he or she performs with respect to each individual review engagement, meaning that the accountant would be performing a substandard review if he or she defaulted to a "canned" list of analytical and inquiry procedures or used the exact same analytical and inquiry procedures that were used during the review engagement for another client.

Risk Awareness in Designing and Performing Review Procedures

.10 The "awareness of risk" discussed in paragraph .14(c) of AR section 90 is not intended to mean that the accountant needs to perform a risk assessment as he or she is required to perform in an audit. However, the accountant should use his or her awareness of risk of material misstatement when designing review procedures. For example, if the accountant has become aware this year that the client has had problems with capturing inventory costs due to a new inventory system, the accountant will want to perform more extensive analytical procedures and detailed inquiries on inventory. Additional discussion of this and other review engagement concepts can be found in the March 1, 2011, edition of the AICPA Guide *Compilation and Review Engagements*.

The Iterative Nature of Performing Review Procedures

.11 Based on the results and responses from management from performing analytical and inquiry procedures, the accountant may find that additional analytical or inquiry procedures, or both, are warranted. Because a review engagement is not limited to analytical procedures and inquiries of management, if the accountant determines that he or she still has not accumulated sufficient review evidence to provide a reasonable basis that he or she has obtained limited assurance that the financial statements are in accordance with the applicable financial reporting framework, then he or she should perform other procedures deemed necessary to obtain such assurance.

Using Procedures Ordinarily Performed in an Audit in a Review Engagement

.12 Although required to perform analytical procedures and inquires as part of the review, the accountant may determine to perform other procedures in addition to the required procedures. Such other procedures may include procedures that are ordinarily performed in an audit, such as confirming a receivable or payable balance, inspecting an invoice, physically observing a large fixed asset addition, or performing limited procedures on the client's year-end inventory valuation report. Such procedures are permitted in a review engagement and do not result in the accountant increasing the service level from a review to an audit.

.13 The accountant would never perform an audit unless engaged by management to audit the financial statements.

New Reporting Requirements

In General

.14 SSARS No. 19 revised the reporting requirements for compilation and review engagements resulting in reports that are clearer to users of compiled and reviewed financial statements.

.15 A title is now required on all accountant's compilation and review reports. Examples of suitable titles are:

- Accountant's Compilation Report
- Independent Accountant's Compilation Report
- Independent Accountant's Review Report

.16 The review report title is required to include the word *independent* as an accountant is prohibited from performing a review engagement with respect to financial statements of an entity from whom the accountant is not independent.

Standard Accountant's Compilation Report

.17 The new standard accountant's compilation report includes three paragraphs. The introductory paragraph identifies the entity, states that the financial statements have been compiled, identifies the financial statements that have been compiled, specifies the date or period covered by the financial statements, and includes a statement that the financial statements have not been audited or reviewed and that no opinion or assurance is provided. The following is an illustration of how the introductory paragraph may be worded:

We have compiled the accompanying balance sheet of XYZ Corporation as of December 31, 2010, and the related statements of income and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

.18 The second paragraph of the standard accountant's compilation report states that management is responsible for the financial statements and for internal control over financial reporting. The new paragraph may provide accountants with an opportunity to educate their clients about management's

responsibilities. Especially in smaller entities, management may feel that the accountant is responsible for the financial statements that the accountant has prepared. Management needs to understand that they retain that responsibility. The following is an illustration of how the second paragraph may be worded:

Management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

.19 The third paragraph of the standard accountant's compilation report states that the accountant is responsible to conduct the compilation in accordance with the SSARs and also states the objective of the compilation engagement. The following is an illustration of how the third paragraph may be worded:

My (our) responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Standard Accountant's Review Report

.20 The new standard accountant's review report includes four paragraphs. The introductory paragraph identifies the entity, states that the financial statements have been reviewed, identifies the financial statements that have been reviewed, specifies the date or period covered by the financial statements, includes a statement that a review consists of primarily applying analytical procedures and making inquiries, and includes a statement that a review is substantially less in scope than an audit and the accountant does not express an opinion. The following is an illustration of how the introductory paragraph may be worded:

I (We) have reviewed the accompanying balance sheet of XYZ Company as of December 31, 20XX, and the related statements of income, retained earnings, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's (owners') financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

.21 The second paragraph of the standard accountant's review report discusses management's responsibility for the financial statements and for internal control over financial reporting and is the same as the second paragraph of the standard accountant's compilation report.

.22 The third paragraph of the standard accountant's review report includes a statement that the accountant's responsibility is to conduct the review in accordance with the SSARs, a statement that the SSARs require the accountant to perform procedures to obtain limited assurance, and a statement that the accountant believes that the results of the procedures provide a

reasonable basis for the report. The following is an illustration of how the third paragraph may be worded:

My (our) responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me (us) to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) report.

.23 The fourth paragraph of the standard accountant's review report states that based upon the review, the accountant is not aware of any material modifications that should be made to the financial statements—other than any modifications that are indicated in the report. The following is an illustration of how the fourth paragraph may be worded:

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 accounting principles generally accepted in the United States.

Recently Issued SSARS

SSARS No. 20

.24 In February 2011, the Accounting and Review Services Committee (ARSC) issued SSARS No. 20, *Revised Applicability of Statements on Standards for Accounting and Review Services* (AICPA, *Professional Standards*, AR sec. 90 par. .01). SSARS No. 20 revises paragraph .01 of AR section 90 to exclude from the applicability of SSARSs, engagements to review interim financial statements when the accountant has audited the entity's latest annual financial statements, it is expected that the current year financial statements will be audited, and the appointment of another accountant to audit the current year financial statements is not effective prior to the beginning of the period covered by the review. Such engagements would be performed in accordance with Statement on Auditing Standards No. 100, *Interim Financial Information*, as amended (AICPA, *Professional Standards*, AU sec. 722).

.25 Specifically, SSARS No. 20 revises the conditions in *bii* of paragraph .01 of AR section 90, as follows:

- a. The entity's latest annual financial statements have been audited by the accountant or a predecessor.
- b. The accountant *either*
 - i. has been engaged to audit the entity's current year financial statements, or
 - ii. ~~the accountant~~ audited the entity's latest annual financial statements and, ***when it is expected that the current year financial statements will be audited***, ~~expects to be engaged to audit the current year financial statements~~ ***the appointment of another accountant to audit the current year financial statements is not effective prior to the beginning of the period covered by the review.***

- c. The client **entity** prepares its interim financial information in accordance with the same financial reporting framework as that used to prepare the annual financial statements.

.26 This change will allow for an appropriate transition between the predecessor auditor and the auditor of the current year financial statements.

.27 To illustrate how the exclusion in paragraph .01 of AR section 90 affects reviews of interim financial statements, consider an accountant who performs the annual audit of a construction contractor. Many construction contractors are required to report to banks and bonding companies on an interim basis. If the accountant performs the annual audit of the year-end financial statements of that construction contractor and is engaged to review the interim financial statements for that same contractor, the accountant likely would perform that review engagement in accordance with AU section 722.

.28 Although reviews performed in accordance with SSARs and interim reviews performed in accordance with AU section 722 are both limited assurance engagements, there are some significant differences. A review performed in accordance with AU section 722 requires the accountant to update his or her knowledge of the entity's internal control. Such knowledge is not required in a review performed in accordance with the SSARs. In addition, although a review performed in accordance with the SSARs requires the accountant to issue a review report, the reporting is optional in a review performed in accordance with AU section 722.

.29 SSAR No. 20 is effective for reviews of financial statements for periods beginning after December 15, 2011, with early application permitted.

Recently Issued Interpretation of the SSARs

Required Supplementary Information That Accompanies Compiled or Reviewed Financial Statements

.30 In October 2011, the ARSC issued the following interpretations:

- Interpretation No. 17, "Required Supplementary Information That Accompanies Compiled Financial Statements," of AR section 80, *Compilation of Financial Statements* (AICPA, *Professional Standards*, AR sec. 9080 par. .63–.68)
- Interpretation No. 11, "Required Supplementary Information That Accompanies Reviewed Financial Statements," of AR section 90 (AICPA, *Professional Standards*, AR sec. 9090 par. .41–.44)

.31 The interpretations provide guidance to accountants when the basic compiled or reviewed financial statements are accompanied by information presented for supplementary analysis purposes and such information is required by the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board, the Federal Accounting Standards Advisory Board, or the International Accounting Standards Board.

.32 The interpretations clarify that the accountant is not required to apply procedures to the required supplementary information that accompanies compiled or reviewed financial statements.

.33 Interpretation No. 17 further clarifies that when required supplementary information is omitted from financial statements that omit substantially

all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP), the accountant may not combine the paragraph discussing the omission of substantially all disclosures with the paragraph referring to the omission of the required supplementary information.

.34 The interpretations also provide illustrative paragraphs that the accountant may use to modify the accountant's compilation or review report to refer to the required supplementary information and explaining the circumstances regarding its presentation.

.35 The interpretations were effective upon their issuance in October 2011.

Recently Issued Statement on Standards for Attestation Engagements

Statement on Standards for Attestation Engagements No. 17

.36 In December 2010, the ARSC issued Statement on Standards for Attestation Engagements (SSAE) No. 17, *Reporting on Compiled Prospective Financial Statements When the Practitioner's Independence Is Impaired* (AICPA, *Professional Standards*, AT sec. 301 par. .23).

.37 SSAE No. 17 amends paragraph .23 of AT section 301, *Financial Forecasts and Projections* (AICPA, *Professional Standards*), to permit, but not require, the accountant to disclose the reason(s) for an independence impairment in a report on compiled prospective financial information.

.38 SSAE No. 17 is effective for compilations of prospective financial statements for periods ending on or after December 15, 2010.

Recently Issued Technical Questions and Answers

Compilation Engagement When the Accountant Is Performing Management Functions

.39 The AICPA recently issued a technical question and answer that specifically applies to compilation and review engagements. Technical Question and Answer (TIS) section 9150.28, "Compilation Engagement When the Accountant Is Performing Management Functions" (AICPA, *Technical Practice Aids*). TIS section 9150.28 indicates that an accountant is permitted to compile the financial statements for an entity with respect to which the accountant also performs management functions. However, the accountant should consult Interpretation No. 101-3, "Performance of Nonattest Services," under Rule 101, *Independence* (AICPA, *Professional Standards*, ET sec. 101 par. .05), regarding the independence rules.

.40 TIS section 9150.28 is reprinted in its entirety in appendix C, "Compilation Engagement When the Accountant Is Performing Management Functions" of this alert.

Disposition of Interpretations to Extant AR Section 100

.41 In December 2010, the ARSC conformed or withdrew the interpretations to extant AR section 100 due to the issuance of SSARS No. 19.

Interpretations to extant AR section 100 withdrawn by the ARSC due to the issuance of SSARS No. 19 are as follows:

- Interpretation No. 1, "Omission of Disclosures in Reviewed Financial Statements"
- Interpretation No. 3, "Reporting on the Highest Level of Service"
- Interpretation No. 5, "Planning and Supervision"
- Interpretation No. 6, "Withdrawal From Compilation or Review Engagement"
- Interpretation No. 9, "Reporting When Management Has Elected to Omit All Disclosures"
- Interpretation No. 23, "Applicability of Statements on Standards For Accounting and Review Services When an Accountant Engaged to Perform a Business Valuation Derives Information From an Entity's Tax Return"
- Interpretation No. 24, "Reference to the Country of Origin in a Review or Compilation Report"
- Interpretation No. 27, "Applicability of Statements on Standards for Accounting and Review Services to Reviewers of Nonissuers Who Are Owned or Controlled by an Issuer"

.42 To assist practitioners, the information at the end of each interpretation to AR section 80 or AR section 90, commonly referred to as the "slug" line, contains the number of the original interpretation to extant AR section 100, along with the date the interpretation was originally issued and, if applicable, subsequent dates the interpretation was revised.

.43 For additional information on this process, readers may refer to the ARSC's November 2010 meeting highlights, which can be found at www.aicpa.org/research/standards/compilationreview/arsc/pages/arscmeetingmaterialsandhighlights.aspx.

.44 Appendix B, "Disposition of Interpretations to Extant AR Section 100," of this alert provides a mapping of the disposition of the interpretations to extant AR section 100. The mapping indicates whether a particular interpretation to extant AR section 100 was withdrawn, revised and moved to interpret AR section 80, or revised and moved to interpret AR section 90.

Current Practice Issues

Obtaining Engagement Letters

.45 Although accountants were required under the pre-SSARS No. 19 professional standards to establish an understanding with client management regarding the compilation or review services to be performed, the accountant was not required to document this understanding in writing. The previous standards only expressed a preference that the understanding be documented in writing.

.46 Accountants are now required by SSARS No. 19 to document their understanding with client management in writing. Accordingly, a written engagement letter is required for each compilation and review engagement. This may result in a change in practice for some accountants.

.47 Because SSARS No. 19 didn't define the engagement that the written understanding should cover, an accountant can use his or her professional judgment when determining the period that the engagement covers. For example, the accountant can determine that the engagement cover the compilation of the monthly financial statements and also the year-end review of the annual financial statements and cover the entire engagement with a single engagement letter.

.48 Although it is recommended that the accountant obtain a new engagement letter each year regarding the services to be performed, the accountant is not precluded from obtaining an engagement that covers multiple years. If a practitioner uses this approach, he or she should be aware that the understanding may be less clear with each year that passes.

.49 Accordingly, practitioners are advised to at least evaluate the appropriateness of the engagement letter in each subsequent year to determine whether the scope or terms of the compilation or review engagement have changed, requiring a new engagement letter.

Applicability of SSARs to Compilations and Reviews of Personal Financial Statements

.50 Accounting for personal financial statements is found in FASB *Accounting Standards Codification (ASC) 274, Personal Financial Statements*.

.51 The required report language for both compilations and reviews of personal financial statements includes a statement that "Jane and John Person is responsible for the preparation and fair presentation of the financial statements in accordance with [*the applicable financial reporting framework*] and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements." The required language may be questioned by clients who do not understand the concept of internal control.

.52 Accountants may need to educate their clients that, although individuals usually do not have formal systems of internal control, they do need to have certain controls that permit the preparation of personal financial statements. Therefore, the standard compilation and review report wording is appropriate for compilations and reviews of personal financial statements.

.53 The 2011 edition of the AICPA Guide *Compilation and Review Engagements* includes an exhibit titled "Compilations and Reviews of Personal Financial Statements" that provides additional guidance with respect to these engagements.

Reporting on Compiled or Reviewed Financial Statements for Periods Ended on or After December 15, 2010, With Comparative Financial Statements for Periods Ended Before December 15, 2010

.54 SSARS No. 19 was effective for compilations and reviews of financial statements for periods ending on or after December 15, 2010. Among other things, SSARS No. 19 revised the reporting requirements for compilation and review engagements. Accountants have questioned how they should report when comparative financial statements are presented and the prior year compilation or review was not performed in accordance with SSARS No. 19.

.55 AR section 200, *Reporting on Comparative Financial Statements* (AICPA, *Professional Standards*), has been revised to reflect conforming changes necessary due to the issuance of SSARS No. 19. The revised AR section 200 establishes standards for reporting on comparative financial statements of a nonissuer when financial statements of one or more periods presented have been compiled and reported on or reviewed in accordance with SSARS No. 19.

.56 Because the updating of a prior year report on financial statements that the accountant compiled or reviewed in accordance with pre-SSARS No. 19 literature is not a compilation or review of those financial statements (but merely the updating of a report on a service previously performed and reported on), the accountant may use the SSARS No. 19 reporting format to update his or her prior year report. Reissuing his or her report using the pre-SSARS No. 19 report format is not required.

Reporting on Financial Statements Prepared in Accordance With an Other Comprehensive Basis of Accounting That Omit Substantially All Disclosures

.57 Financial statements may be prepared in accordance with a basis of accounting other than GAAP. Such bases of accounting are often referred to as other comprehensive bases of accounting (OCBOA) and include the cash, modified cash, and income tax bases of accounting.

.58 Unlike GAAP, authoritative guidance with respect to form and content of OCBOA financial statements does not exist. However, OCBOA financial statements do need to be appropriate in form. Paragraph .19 of AR section 80 and paragraph .32 of AR section 90 state that financial statements prepared in accordance with an OCBOA are not considered appropriate in form unless the financial statements include

- a.* a description of the OCBOA, including a summary of significant accounting policies and a description of the primary differences from GAAP. The differences need not be quantified.
- b.* informative disclosures similar to those required by GAAP if the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP.

.59 However, an entity may engage the accountant to compile financial statements that omit substantially all of the disclosures required by the framework—which would include the disclosures required by paragraph .19 of AR section 80 and paragraph .32 of AR section 90.

.60 The accountant may compile such financial statements as long as the accountant modifies his or her compilation report to include the language required by paragraph .20 of AR section 80. Users of such compiled OCBOA financial statements are therefore appropriately notified of the limitations of the OCBOA financial statements in which substantially all disclosures are omitted.

Current Economic Conditions—Effects on Review Procedures

.61 Key leading economic indicators such as interest rates, availability of credit, consumer confidence, overall economic expansion or contraction, inflation, and labor market conditions are likely to have an effect on an entity's

business and the industry in which it operates. Recent fluctuations in key leading economic indicators, most of which have been adverse, could result in tremendous pressure for client management to maintain financial stability and profitability. As a result, client management may be more likely to take aggressive positions on accounting and financial reporting matters, or in certain circumstances, engage in fraudulent activities. Accordingly, the accountant may consider these risks as part of his or her risk awareness approach to designing and performing review procedures.

.62 When planning and performing a review engagement, an accountant may consider both overall economic conditions and specific economic conditions affecting the client and the industry in which the client operates and tailor his or her analytical and inquiry procedures accordingly to address risks of misstatement in the financial statements arising from these conditions.

.63 Also, understanding and relating current economic conditions to the client may help the accountant when developing his or her expectations when performing analytical procedures.

Common Peer Review Findings

.64 In 2009, the AICPA Peer Review Program reported approximately 37,300 peer reviews, of which approximately 25,300 pertained to compilation and review engagements. The importance of the peer review findings cannot be overemphasized. Some of the most recent deficiencies that were encountered include

- compilation reports that failed to include the paragraph regarding the omission of required disclosures as applicable in the circumstances.
- compilation and review reports that failed to reference SSARs.
- compilation reports that did not comply with minimum reporting requirements.
- issuance of a review report when the accountant was not independent.
- failure to disclose the lack of independence in a compilation report.
- in an engagement to compile financial statements that omit substantially all disclosures, failure to disclose, in the accountant's compilation report, management's omission of substantially all disclosures.
- the engagement letter in an engagement to compile financial statements that are not expected to be used by a third party did not refer to supplementary information, which was presented along with the basic financial statements.
- failure to use a work program or a reporting and disclosure checklist when required by firm policy (this is not required by AICPA *Professional Standards*).
- for review engagements, failure to perform analytical and inquiry procedures and failure to adequately document the procedures.
- for review engagements, failure to obtain a client management representation letter.

- failure to include a GAAP departure in the accountant's compilation or review report when management failed to segregate the current portion of long-term debt.
- engagement letters with respect to engagements to compile financial statements that are not expected to be used by third parties and that omitted the required descriptions or statements documenting the understanding with the client.
- reference to the accountant's compilation report was not present on the financial statements.

.65 Although there are many recurring deficiencies noted in peer review, the accountant can take steps to avoid them by keeping these common mistakes in mind during the performance of compilation and review engagements. The latest full peer review report can be found at www.aicpa.org/InterestAreas/PeerReview/Resources/Transparency/Pages/default.aspx. For additional information on peer review, please visit "Interest Areas—Peer Review" at www.aicpa.org.

New AICPA Products and Publications

.66 The AICPA recently published a 2011 edition of the guide *Compilation and Review Engagements*. This guide provides additional information on implementing SSARS No. 19. It includes illustrative engagement and representation letters, sample compilation and review reports, detailed illustrations, and case studies. See www.cpa2biz.com and enter product code 0128111 for further information.

On the Horizon

.67 Accountants should keep abreast of compilation, review, and accounting developments and upcoming guidance that may affect their engagements. The following sections present brief information about some ongoing projects that have particular significance to your clients or that may result in significant changes. Remember that exposure drafts are nonauthoritative and cannot be used as a basis for changing existing standards.

.68 Information on, and copies of, outstanding exposure drafts may be obtained from the various standard setters' websites. These websites contain in-depth information about proposed standards and other projects in the pipeline. Many more accounting, compilation, and review projects exist, in addition to those discussed here. Readers should refer to information provided by the various standard setting bodies for further information.

Proposed SSARS

The Use of the Accountant's Name in a Document or Communication Containing Unaudited Financial Statements That Have Not Been Compiled or Reviewed

.69 In November 2010, ARSC exposed for public comment a proposed SSARS, *The Use of the Accountant's Name in a Document or Communication Containing Unaudited Financial Statements That Have Not Been Compiled or Reviewed*. The comment period ended in April 2011.

.70 This SSARS is being proposed due to the withdrawal of AU section 504, *Association with Financial Statements*, by the Auditing Standards Board (ASB). ASB meeting agendas and meeting highlights can be found at www.aicpa.org/Research/Standards/AuditAttest/ASB/Pages/ASBMeetingMaterialsandHighlights.aspx.

.71 Further, because the ARSC is the senior standard setting committee of the AICPA designated to issue enforceable standards in connection with the unaudited financial statements or other unaudited financial information of a nonpublic entity, that committee should issue the standard when the accountant is associated with unaudited financial statements that have not been compiled or reviewed.

.72 The appropriate guidance when an auditor reports on audited financial statements of a current period and unaudited financial statements of a preceding period in comparative form is included in paragraph .56 of AU-C section 700, *Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*). AU-C section 720, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*), addresses the auditor's responsibility in relation to other information in documents containing the audited financial statements and the auditor's report thereon.

.73 The withdrawal of AU section 504 will correspond with the effective date of Statement on Auditing Standards No. 122, *Statements on Auditing Standards: Clarification and Recodification* (AICPA, *Professional Standards*), which is for audits of financial statements for periods ending on or after December 15, 2012.

.74 This proposed SSARS was discussed again in May 2011. At that time, the ARSC determined that the applicability of this proposed SSARS is dependent on other conclusions yet to be reached on other aspects of the SSARS Clarity Project. As a result, the ARSC concluded that adopting this proposed SSARS as a final standard should be deferred until additional progress is made with respect to the SSARS Clarity Project.

.75 Readers may monitor the progress of this proposed SSARS by referring to the ARSC's meeting agendas and meeting highlights, which can be found at www.aicpa.org/research/standards/compilationreview/arsc/pages/arscmeetingmaterialsandhighlights.aspx.

SSARS Clarity Project

.76 In October 2011, the ASB reached a major milestone in its project to redraft all of the auditing sections in the *U.S. Auditing Standards* section of AICPA *Professional Standards* with the release of Statement on Auditing Standards Nos. 122–124. The clarified auditing standards are designed to make the standards easier to read, understand, and apply.

.77 The ARSC has concluded that by undertaking a similar clarity project, the ARSC would serve the public interest by having all of the professional literature for audits, reviews, and compilations drafted using the same conventions. In addition, the resulting clarified compilation and review standards would be easier to read, understand, and apply.

.78 In May 2010, the ARSC approved a project to substantially revise all existing compilation and review standards in the *Codification of Statements*

on *Standards for Accounting and Review Services* (AR sections of AICPA *Professional Standards*) using the drafting conventions adopted by the ASB when clarifying the auditing literature.

.79 The revisions would also result in the compilation and review standards being in a format that is consistent with the clarified auditing literature.

.80 The ARSC has determined, however, that there would be certain differences between its clarity drafting conventions and those adopted by the ASB. Specifically, the ARSC has determined to not include specific application guidance with respect to governmental entities and smaller, less complex entities. Accordingly, the ARSC has commenced redrafting the SSARs in accordance with those conventions, which include the following:

- Establishing objectives for each clarified AR section
- Including a definitions section, where relevant, in each clarified AR section
- Separating requirements from application and other explanatory material
- Numbering application and other explanatory material paragraphs using an A- prefix and presenting them in a separate section that follows the requirements section
- Using formatting techniques, such as bulleted lists, to enhance readability

.81 Whereas the ASB used, where applicable, the corresponding International Standard on Auditing as a base when drafting each clarified auditing standard, the ARSC will use the extant SSARs as a base for the clarified compilation and review literature.

.82 The ARSC will consider convergence with International Standards on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*, and International Standards on Related Services (ISRS) 4410, *Engagements to Compile Financial Statements*—the international standards for review and compilation engagements, respectively—after the International Audit and Assurance Standards Board (IAASB) completes its separate projects to revise the international compilation and review literature.

.83 Although the ARSC's current timeline with respect to its project to clarify the SSARs is subject to change, the ARSC currently anticipates exposing such proposed clarified SSARs in November 2012 and issuing such clarified SSARs as final standards in August 2013.

.84 The current timeline indicates that the clarified SSARs would be effective for compilations and reviews of financial statements for periods ending on or after December 15, 2014 (that is, for engagements performed for calendar year 2014 financial statements).

.85 Readers may monitor the progress of the SSARs clarity project by referring to the ARSC's meeting agendas and meeting highlights, which can be found at www.aicpa.org/research/standards/compilationreview/arsc/pages/arscmeetingmaterialsandhighlights.aspx.

Recent AICPA Independence and Ethics Developments

.86 The Audit Risk Alert *Independence and Ethics Developments—2011/12* (product no. 0224711) contains a complete update on new independence and

ethics pronouncements. This alert will heighten your awareness of independence and ethics matters likely to affect your practice. Obtain this alert by calling the AICPA at 888.777.7077 or visiting www.cpa2biz.com.

Proposed Revisions to Interpretation No. 101-3, "Performance of Nonattest Services"

.87 In February 2011, the AICPA Professional Ethics Division released an omnibus proposal that contained important clarifying language regarding CPAs' provision of nonattest services. Among them, it made clear that certain bookkeeping and other nonattest services that help clients produce more reliable financial information are permitted under the interpretation even though they may be viewed as maintaining an internal control for the client. For example, it clarified that a practitioner is allowed to prepare and maintain monthly account reconciliations for an attest client provided the client accepts responsibility for the services and the other general requirements of Interpretation No. 101-3 are met, such as ensuring that the client reviews and approves the account reconciliations and sufficiently understands the services performed to oversee them. This clarification was made because some have interpreted the current standard as prohibiting these activities and the change reinforces that they are permissible.

.88 The exposure draft also proposed that *management functions* be changed to *management responsibilities* and provided additional examples of the types of activities that would be considered to be responsibilities of management and, therefore, impair independence.

.89 Comments on the exposure draft were due by May 31, 2011. During the August 2011 Professional Ethics Executive Committee (PEEC) meeting, adoption of the proposed revisions to Interpretation No. 101-3 was deferred until several of the observations made in the comment letters were evaluated further by the Interpretation No. 101-3 study group. The Interpretation No. 101-3 study group reported its updated recommendations at the November 2011 PEEC meeting. Although progress was made on proposed revisions to Interpretation No. 101-3 at the November 2011 PEEC meeting, the PEEC is expected to continue discussing the proposed revisions to Interpretation No. 101-3 at its January 2012 meeting.

.90 PEEC meeting information, including meeting agendas, discussion materials, and minutes of prior meetings, can be found at www.aicpa.org/InterestAreas/ProfessionalEthics/Community/MeetingMinutesandAgendas/Pages/MeetingInfo.aspx.

.91 Exposure drafts, including the previously mentioned omnibus exposure draft, issued by PEEC can be found at www.aicpa.org/InterestAreas/ProfessionalEthics/Community/ExposureDrafts/Pages/ExposureDrafts.aspx.

Consideration of International Compilation and Review Standards

.92 The IAASB is currently working on redrafting ISRS 4410 and ISRE 2400.

.93 The proposed revised ISRE 2400 was exposed for public comment in January 2011. The comment period ended on May 20, 2011. Comment letters received on the proposed revisions to ISRE 2400, including the comment letter submitted by the ARSC, can be found at www.ifac.org/Guidance/

EXD-Details.php?EDID=0153. The IAASB plans to further deliberate ISRE 2400 at future public meetings.

.94 The proposed revised ISRS 4410 was exposed for public comment in October 2010 with a comment period end date of March 31, 2011. Comments letters received on the proposed revisions to ISRS 4410, including the comment letter submitted by the ARSC, can be found at www.ifac.org/publications-resources/proposed-international-standard-related-services.

.95 ARSC will continue to monitor the progress of these IAASB projects and consider whether it is in the public interest to converge the revised international compilation and review standards with the SSARSs.

.96 Further information on these IAASB projects is available through the project summary on the IAASB website at www.ifac.org/IAASB. Meeting materials, meeting minutes, and audio recordings of past meetings can be found at www.ifac.org/IAASB/Meetings.php.

Resource Central

.97 The following are various resources that practitioners performing compilation and review engagements may find beneficial.

Private Companies Practice Section SSARS No. 19 Toolkit

.98 The Private Companies Practice Section's (PCPS's) SSARS No. 19 toolkit supports practitioners with implementing SSARS No. 19 and communicating SSARS No. 19 within the accounting firm and to clients. The SSARS No. 19 toolkit includes the following components:

- *SSARS No. 19 Implementation Checklist (available only to PCPS member firms)*. This checklist assists practitioners with implementing SSARS No. 19. Implementation steps are provided in order and include the toolkit resources necessary to complete the action, as well as listing and linking to additional resources that may be of interest to practitioners.
- *Comparative overview of compilation, review, and audit brochure (available only to PCPS member firms)*. The level of service provided in an engagement is generally determined by the needs of the client and the requirements of the client's creditors or investors. This customizable brochure is provided to assist practitioners with educating clients in the differences between compilation, review, and audit engagements and has been updated for SSARS No. 19 guidance.
- *SSARS No. 19 frequently asked questions (FAQs) (available only to PCPS member firms)*. The FAQs are intended to address the most common practitioner questions related to applying SSARS No. 19 and include a side-by-side compilation and review comparison grid, as well as illustrative comparison grids of previous and new reporting elements. In addition, they provide links to additional resources needed to further understand and apply SSARS No. 19.
- *SSARS No. 19 overview PowerPoint presentation (available only to PCPS member firms)*. This PowerPoint presentation is designed for practitioners to educate their staff and clients about SSARS No. 19.

- *SSARS No. 19 educate your client communications (available only to PCPS member firms)*. This template can be used by practitioners in newsletters or website communications to educate clients about the differences between the requirements of compilations, reviews, and audits and to communicate the impact of SSARS No. 19 on the client's engagement.
- *SSARS No. 19 management representation checklist for review engagements (available only to PCPS member firms)*. As part of a practitioner's client's review engagements, client management is required to provide the practitioner a written letter that includes documentation about representations made during the review. This checklist is designed to assist the practitioner in requesting representations required for all financial statements and periods covered by the accountant's review report ending on or after December 15, 2010.

.99 For additional information on the SSARS No. 19 toolkit, refer to www.aicpa.org/InterestAreas/PrivateCompaniesPracticeSection/Resources/KeepingUp/Pages/SSARSNo19Toolkit-PCPSMembers.aspx.

Publications

.100 Practitioners may find the following publications useful. Choose the format best for you—online or print:

- SSARS No. 19 (product no. 060657 [paperback] or 060657PDF [online])
- SSARS No. 20 (product no. 0606520 [paperback])
- *Codification of Statements on Standards for Accounting and Review Services* (product no. 0572411 [paperback])
- AICPA Guide *Compilation and Review Engagements* (2011) (product no. 0128111 [paperback] or WRC-XX [online])
- Audit Risk Alert *Independence and Ethics Developments—2011/12* (product no. 0224711 [paperback] or WIA-XX [online])
- *Accounting Trends & Techniques, 64th Edition* (product no. 0099010 [paperback] or WAT-XX [online])
- *IFRS Accounting Trends & Techniques, 2nd Edition* (product no. 0099110 [paperback] or WIF-XX [online])
- Financial Reporting Alert *Current Economic Instability: Accounting Issues and Risks for Financial Management and Reporting—2010* (product no. 0292010 [paperback])

AICPA Online Professional Library: Accounting and Auditing Literature

.101 The AICPA has created your core accounting and auditing library online. The AICPA Online Professional Library is now customizable to suit your preferences or your firm's needs. Or, you can sign up for access to the entire library. Get access—anytime, anywhere—to FASB ASC, the AICPA's latest *Professional Standards, Technical Practice Aids*, Audit and Accounting Guides, Audit Risk Alerts, *Accounting Trends & Techniques*, and more. One option is the *AICPA Audit and Accounting Guides with FASB Accounting Standards Codification*TM, which contains all audit and accounting guides, all audit

risk alerts, and FASB ASC in the Online Professional Library (product no. WFA-XX [online]). To subscribe to this essential online service for accounting professionals, visit www.cpa2biz.com.

Journal of Accountancy

.102 The *Journal of Accountancy* periodically features articles on compilation and review engagements. Practitioners may find the article "Changes on Tap for Compilation and Review Engagements," by Carolyn H. McNerney, Charles E. Landes, and Michael P. Glynn, useful when contemplating performing compilation and review engagements. The article discusses the major changes made to the compilation and review standards as a result of the issuance of SSARS No. 19. The article is available online at www.journalofaccountancy.com/Issues/2010/May/20102466.htm.

White Papers

.103 The AICPA Audit and Attest Standards Team published white papers that contain guidance relating to the performance of compilation and review engagements. Practitioners may find the following white papers useful when contemplating performing compilation and review engagements:

- A significant change to the compilation standards as a result of the issuance of SSARS No. 19 is the removal of a prohibition against stating the reasons why an accountant is not independent when performing a compilation service. The whitepaper "Significant Change to Compilation Reporting Requirements When Independence Is Impaired" discusses, in question and answer format, the reporting alternatives that are now available to accountants. The white paper is available online at www.aicpa.org/InterestAreas/FRC/Compilation/DownloadableDocuments/SSARS_19_White_Paper.pdf.
- "Understanding Internal Control and Internal Control Services," by Thomas A. Ratcliffe and Charles E. Landes, addresses the concept of *internal control*, as defined by the Committee of Sponsoring Organizations of the Treadway Commission. The white paper also addresses nonattest services and internal control services. The white paper is available online at http://media.journalofaccountancy.com/JOA/Issues/2009/09/Understanding_Internal_Control_Services.2.pdf.

Continuing Professional Education

.104 The AICPA offers a number of continuing professional education (CPE) courses that are valuable to CPAs working in public practice and industry, including the following:

- *AICPA's Annual Accounting and Auditing Update Workshop (2011–2012 Edition)* (product no. 736187 [text], 187195 [DVD/Manual], or 357195 [Additional Manual for DVD]). Whether you are in industry or public practice, this course keeps you current and informed and shows you how to apply the most recent standards.
- *Internal Control Essentials for Financial Managers, Accountants and Auditors* (product no. 731858 [text], 181857 [DVD/

Manual/Text], 351857 [Additional Manual for DVD], or 159820 [online]). This course will provide you with a solid understanding of systems and control documentation at the significant process level.

- *International Versus U.S. Accounting: What in the World is the Difference?* (product no. 731669 [text], 181662 [DVD/Manual], or 351662 [Additional Manual for DVD]). Understanding the differences between International Financial Reporting Standards (IFRSs) and U.S. GAAP is becoming more important for businesses of all sizes. This course outlines the major differences between IFRSs and U.S. GAAP.
- *IFRS Essentials with GAAP Comparison: Building a Solid Foundation* (product no. 741603 [text], 181602 [DVD/Manual], or 351602 [Additional Manual for DVD]). This course provides you with a greater understanding of what you need to know as the acceptance of international standards continues to grow.

.105 Among the many courses, the following are specifically related to compilation and review engagements:

- *Small Business Audit, Compilation and Review Update* (product no. 734523 [text])
- *Accounting Services, Compilations and Reviews: Effective Risk Management* (product no. 732826 [text])
- *Advanced Update for Compilation, Review and Accounting Services* (product no. 731557 [text])
- *Managing Compilation, Review and Accounting Services* (product no. 733483 [text])
- *Performing Compilation and Review Engagements* (product no. 739700HS [CD-ROM], 154700 [online])
- *Performing Analytical Procedures in a Review Engagement* (product no. 154710 [online])
- *Performing Inquiries in a Review Engagement* (product no. 154720 [online])
- *Introduction to Compilations and Reviews* (product no. 154730 [online])
- *Performing a Compilation Engagement Under SSARS 19* (product no. 154740 [online])
- *How to Perform a Review Under SSARS No. 19, Case Study Part I—Design and Performance of Review Procedures* (product no. 154310 [online])
- *How to Perform a Review Under SSARS No. 19, Case Study Part II—Reporting and Other Communication Requirements* (product no. 154320 [online])
- *Advanced Issues in Compilation, Review and Accounting Services* (product no. 733384 [text])
- *Compilation and Review Engagement Essentials* (product no. 733882 [text])
- *Compilation, Review and Accounting Service Update* (product no. 733374 [text])

- *Compiling Personal Financial Statements* (product no. 733504 [text])
- *Compilation Engagements: Mastering the Fundamentals* (product no. 733625 [text])
- *Review Engagements: Mastering the Fundamentals* (product no. 733545 [text])
- *InSight: SSARS 19—The New Compilation and Review Standard* (product no. 154230LC [online])
- *Cash- and Tax-Basis Financial Statements—Preparation and Reporting* (product no. 734091 [text])

.106 Visit www.cpa2biz.com for a complete list of CPE courses.

Online CPE

.107 AICPA CPEExpress, offered exclusively through CPA2Biz, is the AICPA's flagship online learning product. AICPA members pay \$209 for a new subscription and \$179 for the annual renewal. Nonmembers pay \$435 for a new subscription and \$375 for the annual renewal. Divided into 1-credit and 2-credit courses that are available 24 hours a day, 7 days a week, AICPA CP-Express offers hundreds of hours of learning in a wide variety of topics. Some topics of special interest to those performing compilation and review engagements include the following:

- *Auditor/Accountant Communications: Audit, Compilation, and Review Engagement Reports*
- *2011 Annual A&A Update: Compilation and Review Update*
- *Comp and Review Engagements: Current Practices; Accounting & Reporting Issues; Potential Change*
- *Compilation Engagements: Introduction and Other Compilation Engagements*
- *Compilation Engagements: Mastering the Fundamentals*
- *Compilation Engagements: Performing a Compilation*
- *Compilation Engagements: Reporting*
- *Compilations and Reviews: "Introduction and Background" plus "Engagement Planning and Administration"*
- *Compilations and Reviews: 'Performing Compilation Engagements' plus 'Quality Control'*
- *Drafting Audit, Review, and Compilation Reports*
- *Intro to Cash and Tax OCBOAs and Their Effects on Procedures in Audits, Reviews, and Compilations*
- *Compilations and Reviews: Independence Considerations*
- *Managing Compilation, Review, and Accounting Services*

.108 To register or learn more, visit www.cpa2biz.com.

Webcasts

.109 Stay plugged in to what is happening and earn CPE credit right from your desktop. AICPA webcasts are high quality, two-hour CPE programs that bring you the latest topics from the profession's leading experts. Broadcast

live, they allow you to interact with the presenters and join in the discussion. If you cannot make the live event, each webcast is archived and available on CD-ROM. For additional details on available webcasts, please visit www.cpa2biz.com/AST/AICPA_CPA2BIZ_Browse/Store/Webcasts.jsp.

Member Service Center

.110 To order AICPA products, receive information about AICPA activities, and get help with your membership questions, call the AICPA Service Operations Center at 888.777.7077.

Hotlines

Accounting and Auditing Technical Hotline

.111 Do you have a complex technical question about review, compilation, accounting, or other technical matters? If so, use the AICPA's Accounting and Auditing Technical Hotline. AICPA staff will research your question and call you back with the answer. The hotline is available from 9 a.m. to 8 p.m. EST on weekdays. You can reach the Technical Hotline at 877.242.7212, by e-mail at aahotline@aicpa.org, or online at www.aicpa.org/Research/TechnicalHotline/Pages/TechnicalHotline.aspx. Additionally, members can submit questions by completing a Technical Inquiry form found on the same website.

Ethics Hotline

.112 In addition to the Technical Hotline, the AICPA also offers an Ethics Hotline. Members of the AICPA's Professional Ethics Team answer inquiries concerning independence and other behavioral issues related to the application of the AICPA Code of Professional Conduct. You can reach the Ethics Hotline at 888.777.7077 or by e-mail at ethics@aicpa.org.

* * * *

Appendix A—Additional Internet Resources

Here are some useful websites that may provide valuable information to accountants.

| <i>Website Name</i> | <i>Content</i> | <i>Website</i> |
|--|---|--|
| AICPA | Summaries of recent auditing and other professional standards, as well as other AICPA activities | www.aicpa.org www.cpa2biz.com www.ifrs.com |
| AICPA Financial Reporting Center | Summaries of AICPA standard setting activity, recently issued technical Q&As, and financial reporting news. Links to other information related to accounting and financial reporting, audit and attest services, review services, and assurance and advisory services | www.aicpa.org/InterestAreas/frc/Pages/frc.aspx |
| AICPA Financial Reporting Executive Committee | Summaries of recently issued guides, technical questions and answers, and practice bulletins containing financial, accounting, and reporting recommendations, among other things | www.aicpa.org/InterestAreas/frc/AccountingFinancialReporting/Pages/FinREC.aspx |
| AICPA Accounting and Review Services Committee | Summaries of review and compilation standards and interpretations | www.aicpa.org/Research/Standards/CompilationReview/ARSC/Pages/ARSC.aspx |
| Economy.com | Source for analyses, data, forecasts, and information on the U.S. and world economies | www.economy.com |
| The Federal Reserve Board | Source of key interest rates | www.federalreserve.gov |
| Financial Accounting Standards Board (FASB) | Summaries of recent accounting pronouncements and other FASB activities | www.fasb.org |
| USA.gov | Portal through which all government agencies can be accessed | www.usa.gov |

| <i>Website Name</i> | <i>Content</i> | <i>Website</i> |
|--|---|--|
| Government Accountability Office | Policy and guidance materials and reports on federal agency major rules | www.gao.gov |
| Governmental Accounting Standards Board (GASB) | Summaries of recent accounting pronouncements and other GASB activities | www.gasb.org |
| International Accounting Standards Board | Summaries of International Financial Reporting Standards and International Accounting Standards | www.iasb.org |
| International Auditing and Assurance Standards Board | Summaries of International Compilation and Review Standards | www.iaasb.org |
| International Federation of Accountants | Information on standards setting activities in the international arena | www.ifac.org |
| Private Company Financial Reporting Committee | Information on the initiative to further improve FASB's standard setting process to consider needs of private companies and their constituents of financial reporting | www.pcfrc.org |

Appendix B—Disposition of Interpretations to Extant AR Section 100

Statement on Standards for Accounting and Review Services (SSARS) No. 19, *Compilation and Review Engagements* (AICPA, *Professional Standards*), was issued in December 2009 and was effective for compilations and reviews of financial statements for periods ending on or after December 15, 2010. SSARS No. 19 superseded AR section 20, *Defining Professional Requirements in Statements on Standards for Accounting and Review Services*; AR section 50, *Standards for Accounting and Review Services*; and AR section 100, *Compilation and Review of Financial Statements*. The disposition of the interpretations to AR section 100 as a result of changes made to conform to SSARS No. 19 is outlined in the following table.

| AR Section 100 Interpretation No. | Title | Disposition |
|--|--|---|
| 1 | "Omission of Disclosures in Reviewed Financial Statements" | Withdrawn December 2010 by the Accounting and Review Services Committee (ARSC) |
| [2] | ["Financial Statements Included in SEC Filings"] | Withdrawn December 2008 by the ARSC |
| 3 | "Reporting on the Highest Level of Service" | Withdrawn December 2010 by the ARSC |
| [4] | ["Discovery of Information After the Date of the Accountant's Report"] | Withdrawn July 2007 by the ARSC |
| 5 | "Planning and Supervision" | Withdrawn December 2010 by the ARSC |
| 6 | "Withdrawal From Compilation or Review Engagement" | Withdrawn December 2010 by the ARSC |
| 7 | "Reporting When There Are Significant Departures From GAAP" | Interpretation No. 1, "Reporting When There Are Significant Departures From the Applicable Financial Reporting Framework," of AR section 80, <i>Compilation of Financial Statements</i> (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .01-.04), (revised December 2010 to conform to Statement on |

| AR Section 100 Interpretation No. | Title | Disposition |
|--|--|---|
| | | Standards for Accounting and Review Services [SSARS] No. 19 <i>Compilation and Review Engagements</i> [AICPA, <i>Professional Standards</i>) Interpretation No. 1, "Reporting When There Are Significant Departures From the Applicable Financial Reporting Framework," of AR section 90, <i>Review of Financial Statements</i> (AICPA, <i>Professional Standards</i> , AR sec. 9090 par. .01–.04) (revised December 2010 to conform to SSARS No. 19) |
| [8] | ["Reports on Specified Elements, Accounts, or Items of a Financial Statement"] | Withdrawn July 2005 by the ARSC |
| 9 | "Reporting When Management Has Elected to Omit Substantially All Disclosures" | Withdrawn December 2010 by the ARSC |
| 10 | "Reporting on Tax Returns" | Interpretation No. 2, "Reporting On Tax Returns," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .05–.06) (revised December 2010 to conform to SSARS No. 19) Interpretation No. 2, "Reporting on Tax Returns," of AR section 90 (AICPA, <i>Professional Standards</i> , AR sec. 9090 par. .05–.06) (revised December 2010 to conform to SSARS No. 19) |
| [11] | ["Reporting on Uncertainties"] | Withdrawn February 2007 by the ARSC |
| [12] | ["Reporting on a Comprehensive Basis of Accounting Other Than GAAP"] | Withdrawn July 2007 by the ARSC |

(continued)

| AR Section 100 Interpretation No. | Title | Disposition |
|--|--|--|
| 13 | "Additional Procedures" | <p>Interpretation No. 3, "Additional Procedures Performed in a Compilation Engagement," of AR section 80 (AICPA, <i>Professional Standards</i>, AR sec. 9080 par. .07-.09) (revised December 2010 to conform to SSARS No. 19)</p> <p>Interpretation No. 3, "Additional Procedures Performed in a Review Engagement," of AR section 90 (AICPA, <i>Professional Standards</i>, AR sec. 9090 par. .07-.09) (revised December 2010 to conform to SSARS No. 19)</p> |
| [14] | ["Reporting on Financial Statements When the Scope of the Accountant's Procedures Has Been Restricted"] | Withdrawn April 1990 by the ARSC |
| 15 | "Differentiating a Financial Statement Presentation From a Trial Balance" | Interpretation No. 4, "Differentiating a Financial Statement Presentation From a Trial Balance," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .10-.12) (revised December 2010 to conform to SSARS No. 19) |
| [16] | ["Determining if the Accountant Has 'Submitted' Financial Statements Even When Not Engaged to Compile or Review Financial Statements"] | Withdrawn November 1992 by the ARSC |
| 17 | "Submitting Draft Financial Statements" | Interpretation No. 5, "Submitting Draft Financial Statements," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080) |

| AR Section 100 Interpretation No. | Title | Disposition |
|--|---|--|
| | | par. .13-.14) (revised December 2010 to conform to SSARS No. 19) Interpretation No. 4, "Submitting Draft Financial Statements," of AR section 90, (AICPA, <i>Professional Standards</i> , AR sec. 9090 par. .10-.11) (revised December 2010 to conform to SSARS No. 19) |
| [18] | ["Special-Purpose Financial Presentations to Comply With Contractual Agreements or Regulatory Provisions"] | Withdrawn September 2005 by the ARSC |
| 19 | "Reporting When Financial Statements Contain a Departure From Promulgated Accounting Principles That Prevents the Financial Statements From Being Misleading" | Interpretation No. 6, "Reporting When Financial Statements Contain a Departure From Promulgated Accounting Principles That Prevents the Financial Statements From Being Misleading," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .15-.16) (revised December 2010 to conform to SSARS No. 19) Interpretation No. 5, "Reporting When Financial Statements Contain a Departure From Promulgated Accounting Principles That Prevents the Financial Statements From Being Misleading," of AR section 90 (AICPA, <i>Professional Standards</i> , AR sec. 9090 par. .12-.13) (revised December 2010 to conform to SSARS No. 19) |

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| AR Section 100 Interpretation No. | Title | Disposition |
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| 20 | "Applicability of Statements on Standards for Accounting and Review Services to Litigation Services" | Interpretation No. 7, "Applicability of Statements on Standards for Accounting and Review Services to Litigation Services," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .17–.20) (revised December 2010 to conform to SSARS No. 19) |
| 21 | "Applicability of SSARS No. 1 When Performing Controllorship or Other Management Services" | Interpretation No. 8, "Applicability of Statements on Standards for Accounting and Review Services When Performing Controllorship or Other Management Services," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .21–.24) (revised December 2010 to conform to SSARS No. 19) |
| 22 | "Use of Selected Information—Substantially All Disclosures Required by Generally Accepted Accounting Principles Are Not Included" | Interpretation No. 9, "Use of the Label 'Selected Information—Substantially All Disclosures Required by [the applicable financial reporting framework] Are Not Included' in Compiled Financial Statements," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .25–.27) (revised December 2010 to conform to SSARS No. 19) |
| 23 | "Applicability of Statements on Standards For Accounting and Review Services When an Accountant Engaged to Perform a Business Valuation Derives Information From an Entity's Tax Return" | Withdrawn December 2010 by the ARSC |

| AR Section 100 Interpretation No. | Title | Disposition |
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| 24 | "Reference to the Country of Origin in a Review or Compilation Report" | Withdrawn December 2010 by the ARSC |
| 25 | "Omission of the Display of Comprehensive Income in a Compilation" | Interpretation No. 10, "Omission of the Display of Comprehensive Income in Compiled Financial Statements," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .28–.31) (revised December 2010 to conform to SSARS No. 19) |
| [26] | ["Communicating Possible Fraud and Illegal Acts to Management and Others"] | Withdrawn July 2005 by the ARSC |
| 27 | "Applicability of Statements on Standards for Accounting and Review Services to Reviews of Nonissuers Who Are Owned by or Controlled by an Issuer" | Withdrawn December 2010 by the ARSC |
| 28 | "Special-Purpose Financial Statements to Comply With Contractual Agreements or Regulatory Provisions" | Interpretation No. 11, "Special-Purpose Financial Statements to Comply With Contractual Agreements or Regulatory Provisions," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .32–.40) (revised December 2010 to conform to SSARS No. 19) Interpretation No. 6, "Special-Purpose Financial Statements to Comply With Contractual Agreements or Regulatory Provisions," of AR section 90 (AICPA, <i>Professional Standards</i> , AR sec. 9090 par. .14–.22) (revised December 2010 to conform to SSARS No. 19) |

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| AR Section 100 Interpretation No. | Title | Disposition |
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| 29 | "Reporting on an Uncertainty, Including an Uncertainty About an Entity's Ability to Continue as a Going Concern" | <p>Interpretation No. 12, "Reporting on an Uncertainty, Including an Uncertainty About an Entity's Ability to Continue as a Going Concern," of AR section 80 (AICPA, <i>Professional Standards</i>, AR sec. 9080 par. .41-.48) (revised December 2010 to conform to SSARS No. 19)</p> <p>Interpretation No. 7, "Reporting on an Uncertainty, Including and Uncertainty About an Entity's Ability to Continue as a Going Concern," of AR section 90 (AICPA, <i>Professional Standards</i>, AR sec. 9090 par. .23-.28) (revised December 2010 to conform to SSARS No. 19)</p> |
| 30 | "Considerations Related to Financial Statements Prepared in Accordance With International Financial Reporting Standards and Compilations and Reviews Performed in Accordance With International Standards" | <p>Interpretation No. 13, "Compilations of Financial Statements Prepared in Accordance With International Financial Reporting Standards," of AR section 80 (AICPA, <i>Professional Standards</i>, AR sec. 9080 par. .49-.52) (revised December 2010)</p> <p>Interpretation No. 14, "Compilations of Financial Statements Prepared in Accordance With A Financial Reporting Framework Generally Accepted in Another Country," of AR section 80 (AICPA, <i>Professional Standards</i>, AR sec. 9080 par. .53-.57) (revised December 2010)</p> <p>Interpretation No. 15, "Considerations Related to Compilations Performed in Accordance With</p> |

| AR Section 100 Interpretation No. | Title | Disposition |
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| | | <p>International Standard on Related Services 4410, <i>Engagements to Compile Financial Statements</i>, Issued by the International Audit and Assurance Standards Board," of AR section 80 (AICPA, <i>Professional Standards</i>, AR sec. 9080 par. .58–.60) (revised December 2010)</p> <p>Interpretation No. 8, "Reviews of Financial Statements Prepared in Accordance With International Financial Reporting Standards," of AR section 90 (AICPA, <i>Professional Standards</i>, AR sec. 9090 par. .29–.32) (revised December 2010)</p> <p>Interpretation No. 9, "Reviews of Financial Statements Prepared in Accordance With A Financial Reporting Framework Generally Accepted in Another Country," of AR section 90 (AICPA, <i>Professional Standards</i>, AR sec. 9090 par. .33–.37) (revised December 2010)</p> <p>Interpretation No. 10, "Considerations Related to Reviews Performed in Accordance with International Standard on Review Engagements 2400, <i>Engagements to Review Financial Statements</i>, Issued by the International Audit and Assurance Standards Board," of AR section 90 (AICPA, <i>Professional Standards</i>, AR sec. 9090 par. .38–.40) (revised December 2010)</p> |

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| <i>AR Section 100 Interpretation No.</i> | <i>Title</i> | <i>Disposition</i> |
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| 31 | "Preparation of Financial Statements for Use by an Entity's Auditors" | Interpretation No. 16, "Preparation of Financial Statements for Use by an Entity's Auditors," of AR section 80 (AICPA, <i>Professional Standards</i> , AR sec. 9080 par. .61-.62) (revised December 2010 to conform to SSARS No. 19) |

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Appendix C — TIS section 9150.28, “Compilation Engagement When the Accountant Is Performing Management Functions”

Inquiry—Is it permissible for an accountant to compile financial statements for an entity with respect to which the accountant also performs management functions?

Reply—Yes. However, the accountant should consult Interpretation No. 101-3, "Performance of Nonattest Services," under Rule 101, *Independence* (AICPA, *Professional Standards*, ET sec. 101 par. .05), regarding the independence rules. Interpretation No. 101-3 states that members "should not perform management functions or make management decisions for the attest client." If independence is impaired, the accountant would need to disclose this fact in the compilation report, in accordance with paragraph .21 of AR section 80, *Compilation of Financial Statements* (AICPA, *Professional Standards*).
