



# Preparation, Compilation, and Review Engagements: Update and Review

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## Preparation, Compilation, and Review Engagements: Update and Review

Chapter	Title
1	Current Economic Environment
2	Recent Statements on Standards for Accounting and Review Services Developments
3	Current Practice Issues
4	Current Accounting and Reporting Issues
5	On the Horizon


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# Chapter 1: Current Economic Environment

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**Learning objectives** 

- Identify the key economic factors that may affect clients and their financial statements.
- Determine the accountant’s responsibility if he or she becomes aware that fraud may have occurred.
- Recall recommendations for minimizing risk related to fraud and theft.

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## The U.S. business environment

- Understanding the business environment is important because
  - economic factors are likely to have an impact on clients and their financial statements.
  - SSARS requires accountants performing a review to have some understanding of the industry in which the client operates.
  - adverse effects due to economic factors may provide pressure for managers to adopt more aggressive accounting and reporting strategies.

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## The U.S. business environment (continued)

- Interest rates, availability of credit, consumer confidence, overall economic expansion or contraction, inflation, and labor market conditions can
  - impact financial statements.
  - provide incentive to select more aggressive accounting and reporting practices.
- In 2017, the S&P 500 and Dow Jones Industrial Average reached all-time highs.
- The GDP increased at a rate of 3.0%, unemployment fell below 5.0%, and inflation is low.

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## Business confidence

- The CPA Outlook Index increased from 75 to 77 between the second and third quarters of 2017.
- Optimism about the U.S. economy stayed flat at 64 between the second and third quarters of 2017.
- Organizational optimism increased slightly from 64 to 66.
- Expansion plan components increased slightly from 64 to 65.

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## Discussion question



In small groups, discuss how the improved economic outlook is affecting your clients and your firm.

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## Economic implications

- Understanding of the client's business
- Responsibilities for and ways to minimize risk of fraud and illegal acts
- Scope or engagement creep

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## Accountant's responsibility for fraud or illegal acts

- Accountants performing engagements in accordance with Statements on Standards for Accounting and Review Services (SSARs) are under no obligation to search for fraud or illegal acts.
- If the accountant becomes aware that fraud has occurred, he or she should communicate the matter to the appropriate level of management or seek legal advice.

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## Accountant's responsibility for fraud or illegal acts (continued)

- Recommendations for minimizing risk
  - Regularly evaluate the risk of the client and the engagement.
  - Use engagement letters.
  - Stay within the scope of the engagement.
  - Be fraud aware.
  - Apply professional skepticism to all engagements.
  - If you see something, say something, and follow up in writing.
  - Document!

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## Discussion question



Although the accountant is under no obligation to search for fraud or illegal acts in SSARS engagements, how would you approach the situation if evidence that a fraud or an illegal act had occurred came to your attention?

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## Minimizing scope or engagement creep

- Recommendations for minimizing risk
  - Perform proper client acceptance and retention procedures.
  - Use an engagement letter for all services.
  - Communicate the scope of the engagement to all engagement team members.
  - Deliver services in accordance with the scope of the engagement letter and document.
  - Adjust the scope of services as necessary, documenting revised scope and fee impact.
  - Be willing to let clients move to other service providers as necessary.

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## Chapter 2: Recent Statements on Standards for Accounting and Review Services Developments

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## Learning objectives



- Recall the performance and reporting requirements for compilation engagements of pro forma financial information from Statement on Standards for Accounting and Review Services (SSARS) No. 22.
- Identify the performance and reporting requirements for compilation engagements of prospective financial information from SSARS No. 23.
- Identify the other changes to preparation, compilation, and review engagements included in SSARS No. 23.

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## Compiling pro forma financial information

- Definition of pro forma
  - Historical information that reflects the anticipated effect of a future transaction or event
  - Commonly used to show effects of the following:
    - Business combinations
    - Changes in capitalization
    - Disposition of a significant portion of the business
    - Change in form of business organization
    - Proposed sale of securities and application of proceeds

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## Pro forma financial information

- Adequate disclosure
  - Appropriate label
  - Description of transaction or event
  - Date on which transaction or event is assumed to occur
  - Financial reporting framework
  - Source of the historical financial information

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## Pro forma financial information (continued)

- Adequate disclosure (continued)
  - Significant assumptions
  - Any significant uncertainties
  - Should be read in conjunction with related historical financial information
  - Is not necessarily indicative of results that would have been attained had the transaction or event actually taken place earlier

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## Compiling pro forma financial information

- Performance requirements
  - Establish an understanding with the client.
  - Have appropriate knowledge and understanding of the entity's financial reporting framework.
  - Obtain an understanding of the underlying transaction or event.
  - Read the financial information, considering the underlying transaction or event and the source of the historical financial statements.
  - Ascertain that management has fulfilled its agreements.

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## Compiling pro forma financial information (continued)

- Management agrees to
  - include most recent financial statements in any document containing the pro forma information.
  - ensure that financial statements on which the pro forma information is based have been compiled, reviewed, or audited.
  - include the compilation report, review report, or audit opinion in any document containing the pro forma information.

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## Compiling pro forma financial information (continued)

- Establish an understanding with the client
  - Management must acknowledge responsibility for preparation and fair presentation of pro forma financial information.
  - With regard to documents containing pro forma financial information, management must agree to
    - include the financial statements that have been compiled, reviewed, or audited as well as associated reports.
    - present a summary of significant assumptions.
    - obtain the accountant's permission prior to including the report in any such documents.

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## Compiling pro forma financial information (continued)

- Reading the pro forma financial information—accountant must consider
  - appropriate description of the underlying transaction or event, adjustments, significant assumptions, and uncertainties.
  - appropriate identification of the source of historical financial information.

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## Reports on pro forma financial information

- Accountant's report on pro forma information should include the following:
  - Reference source historical financial information and state whether it was subjected to an audit, review, or compilation.
  - Reference any modification of the audit, review, or compilation report.
  - Describe the nature and limitations of pro forma financial information.
  - Provide no assurance on the pro forma financial information.
  - Disclose lack of independence.

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## Compiling prospective financial information

- Definition of prospective financial information
  - Includes any financial information about the future
  - May be complete set of financial statements, elements, items, or accounts
  - Financial forecast
  - Financial projections

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## Compiling prospective financial information (continued)

- Performance requirements
  - No specific additional requirements compared to typical compilation engagements
  - Establish an understanding with the client in writing.
  - Obtain an understanding of the client and its industry.
  - Read the financial statements or information.
  - Obtain additional information as necessary.

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## Compiling prospective financial information (continued)

- General compilation reporting
  - Provides no assurance
  - Must disclose lack of independence
- Additional reporting requirements
  - Should not compile prospective financial information that excludes a summary of significant assumptions
  - Should not issue a compilation report on a *financial projection* that excludes either an identification of the hypothetical assumptions or a description of the limitations

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## Compiling prospective financial information (continued)

- Compilation report should include the following:
  - Forecasted or projected results may not be achieved.
  - Accountant assumes no responsibility to update the report for events and circumstances after the report date.

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## Discussion question



What are the most common reasons clients have asked for engagements involving pro forma or prospective financial information?

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## SSARS No. 23—general guidelines

- Additional and harmonized definitions
- Departures from presumptively mandatory requirements
  - Must document justification
  - How alternative procedures achieved the intent
- Accountant is not required to obtain management's acknowledgement and understanding of responsibility for internal control if the accountant decides to accept responsibility for internal control.

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## SSARS No. 23—other changes

- Preparation engagements
  - May prepare prospective financial information
  - May withdraw from engagement when unable to include statement of no assurance on prepared financial statements
- Compilation engagements
  - When dealing with a known departure, accountants should consider whether modification of their report is adequate to disclose the departure.

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## SSARS No. 23—other changes (continued)

- Review engagements
  - Cannot be performed on pro forma or prospective information
  - Updated definition for supplementary information
  - Updated other-matter paragraph for supplementary information
- Preparation, compilation, and review
  - An oral understanding is not sufficient to establish an understanding regarding the engagement with the client.

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## Exercise 2-1



- Exercise 2-1: Complete the chart comparing the subject matter to which each kind of SSARS engagement can apply.

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## Case study 2-1



Required: Review the case details and answer the following questions:

1. As you prepare for your first meeting with Bill and Jane, think through some of the questions that you need to review with them.
2. Assume that based on answers to your questions in #1, Bill and Jane will need an additional capital infusion to support the increase in demand. You want to build the cost of borrowing into the projection, but Bill and Jane are adamant that the projections should only reflect changes in revenue and variable costs. Further, they are hesitant to fully describe the assumptions underlying the projected financial information. What is your response?

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## Case study 2-1 (continued)



Required: Review the case details and answer the following questions:

3. Assume that you reach an agreement with Bill and Jane about the significant assumptions underlying the prospective information, and you proceed with the compilation. Describe the steps you will follow and document in your compilation engagement.
4. Once you have finished your compilation, what would the compilation report look like?

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## Chapter 3: Current Practice Issues

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### Learning objectives



- Identify AICPA resources relevant to preparation, compilation, and review engagements.
- Recognize current independence and ethics issues.
- Identify current issues identified by the Accounting and Review Services Committee (ARSC).
- Recall the fundamentals of QC section 10, *A Firm's System of Quality Control (AICPA, Professional Standards)*.

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## Resources

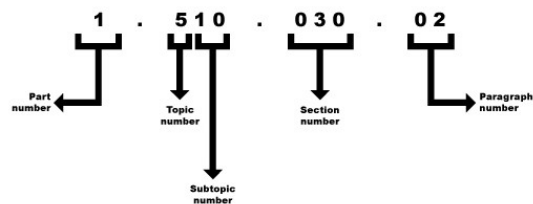
- Center for Plain English Accounting
  - Created by the AICPA
  - For members of the Private Company Practice Section
- Publications for review, compilation, and preparation engagements
  - SSARS
  - Guides
  - Annual alerts
  - Practice aids
- Toolkits for Financial Reporting Framework for small- to medium-sized entities

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## Ethics codification

- Revised code was effective December 15, 2014.
- Organization:
  - Preface
  - Part I: Members in Public Practice
  - Part II: Members in Business
  - Part III: Other Members
- New numbering system



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## Conceptual framework for AICPA independence rules

- Conceptual framework approach is a way of identifying, evaluating, and addressing threats that may exist and requires the following steps:
  - Identify threats.
  - Evaluate the significance of the threat.
  - Identify and apply safeguards.
- Should be used by members when considering independence matters not specifically addressed in the AICPA Code of Professional Conduct

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## Ethics interpretations

- Revised definitions
  - Client—any person or entity, other than the member's employer, that engages a member or member's firm to perform professional services (engaging entity) and also a person or entity with respect to which a member or member's firm performs professional services (subject entity). When the engaging entity and the subject entity are different while there is only one engagement, they are separate clients.
  - Attest client—a person or entity with respect to which an attest engagement is performed

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## Ethics interpretations (continued)

- Hosting services
  - Hosting services are nonattest services where a member accepts responsibility for any of the following:
    - Acting as the sole host of a financial or nonfinancial information system of an attest client
    - Taking custody of or storing an attest client's data or records whereby data or records are available to the attest client only from the member, such that the attest client's data or records are otherwise incomplete
    - Providing electronic security or backup services for an attest client's data or records
  - These service impair independence because the member would be maintaining the attest client's internal control over its data or records.

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## Ethics interpretations— exposure drafts

- Members in public practice—  
responding to noncompliance  
with laws and regulations
- Revised interpretation and  
related guidance for members  
that provide attest services to  
state and local government  
entities

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## New FAQs

- Question
  - Does the “Confidential Client Information Rule” prohibit a member from disclosing confidential client information to the owners of a successor firm after the consummation of a purchase, sale, or merger of all or a part of a member’s practice?
- Answer
  - The “Confidential Client Information Rule” would not prohibit the member from disclosing confidential client information to the other owners of the successor firm after the purchase, sale, or merger, provided the member retains an ownership interest in the successor firm and complies with the requirements of the “Transfer of Files and Return of Client Records in Sale, Transfer, Discontinuance, or Acquisition of a Practice” Rule.

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## Discussion question



- Have you had an experience with the transfer or change in control of a CPA practice? If so, what steps were taken to protect client confidentiality?

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## Current issues identified by ARSC

- Consideration of materiality in a review engagement
  - Required for purposes of analytical procedures and inquiries as well as for evaluation of uncorrected mistakes
  - Consideration of materiality is made in the context of the applicable financial reporting framework and typically include the following:
    - Material misstatements could be reasonably expected to influence the economic decisions of users.
    - Judgments about materiality are made in light of circumstances and affected by the size or nature of a misstatement.
    - Judgments are based on consideration of the needs of users as a group.
  - Determination of materiality is a matter of professional judgment that takes into consideration the perceived needs of intended users of the financial statements.
  - Materiality does not depend on the level of assurance obtained by the engagement.

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## Current issues identified by ARSC (continued)

- Going concern
  - Preparer/management evaluation is required.
  - Accountants should consider the following:
    - Whether management has performed its evaluation
    - Whether management has identified that there are conditions and events that raise substantial doubt and management's plans to address those doubts
    - Whether management is aware of conditions and events beyond the period of evaluation that may have an effect on the entity's ability to continue
  - Disclosures are required when substantial doubt is raised, and additional disclosures are required when doubt is not alleviated by management's plans.

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## Current issues identified by ARSC (continued)

- When going concern evaluation is not performed or disclosures are inadequate
  - Known departure from financial reporting framework
  - If disclosures are not made, accountant should modify report and disclose dollar effects if determined by management.
- When going concern disclosures are adequate
  - May include an emphasis paragraph to call attention to the disclosure
  - Should not use the language “substantial doubt”

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## Current issues identified by ARSC (continued)

- Restatements
  - Changed reference to a departure from the applicable financial reporting framework and comparative financial statements are presented—include an other matter paragraph that indicates date of the report, circumstances, and events that caused the reference to change and that the financial statements of the prior period have been changed.
  - No changed reference to a departure from the applicable financial reporting framework—the accountant may use an emphasis-of-matter paragraph to draw attention to the appropriately disclosed matter.

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## Current issues identified by ARSC (continued)

- Preparation engagements
  - An accountant is “engaged” to prepare financial statements when there is a mutual understanding between the accountant and entity that the accountant has been hired to prepare financial statements.
  - When an accountant is engaged to perform consulting services and part of the responsibility includes preparing financial statements, SSARS applies to the preparation engagement. Engagement letters are required for the preparation engagement and encouraged for the remainder of the services performed.
  - The accountant may expand the “no assurance” statement to indicate the accountant’s role, that is, as treasurer or chief financial officer.

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## Current issues identified by ARSC (continued)

- Financial statements prepared for review or audit by others
  - SSARS applies to these engagements.
  - The reviewing accountant may not want the “no assurance” statement on each page of the prepared financial statements. If so, the preparing accountant may provide a disclaimer instead.

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## Current issues identified by ARSC (continued)

- Application of SSARS to engagements for estates and trusts
  - Consider financial presentation— financial presentation may be dictated by an entity's governing document or state law.
  - Consider independence— accountants acting as a trustee would not be independent for purposes of audit or review. Disclosure of lack of independence would be required for compilation.

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## QC Section 10

- Required for firms providing services under SSARS
- Must vs. should
- Documentation and communication

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## QC Section 10 (continued)

- Elements of a system of quality control
  - Tone at the top—culture centered on quality
  - Ethical requirements—policies designed to provide reasonable assurance that ethical requirements are met
  - Acceptance and continuance—policies designed to provide reasonable assurance that undertake and continue appropriate relationships or engagements
  - Human resources—policies designed to provide reasonable assurance that have sufficient personnel with appropriate capabilities and competence

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## QC Section 10 (continued)

- Elements of a system of quality control
  - Engagement performance—policies designed to provide reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements
  - Monitoring—ongoing process designed to provide reasonable assurance that the policies and procedures relating to quality control are relevant, adequate, and operating effectively

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## QC Section 10 (continued)

- Engagement quality control review
  - Reviews of selected engagement documentation
  - Focused on significant finding and issues, proposed report, evaluation of conclusions, and documentation
  - Conducted by individual who is not on the engagement team (concurring partner review)
  - Includes discussion of significant findings with the engagement partner

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## Practice question 1



- There are several elements that the firm's system of quality control must address. For each element described as follows, discuss some of the specific policies and procedures a firm can include to achieve the objectives of that element.
  - a. A firm's system of quality control should be designed to provide the firm with reasonable assurance that client relationships and specific engagements are accepted or continued only where the firm has considered the client's integrity and associated risk, is competent to perform the engagement, and can comply with legal and ethical requirements. Discuss some of the policies and procedures a firm may establish for the acceptance and continuance of client relationships.

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## Practice question 1 (continued)



- There are several elements that the firm's system of quality control must address. For each element described as follows, discuss some of the specific policies and procedures a firm can include to achieve the objectives of that element.
  - b. A firm's system of quality control should be designed to provide it with reasonable assurance that it has sufficient personnel with the capabilities and competence to commit to ethical principles necessary to perform its engagements in accordance with professional standards and regulatory and legal requirements. Discuss some of the specific policies and procedures a firm may establish for the assignment of engagement teams.

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## Practice question 1 (continued)



- There are several elements that the firm's system of quality control must address. For each element described as follows, discuss some of the specific policies and procedures a firm can include to achieve the objectives of that element.
  - c. A firm's system of quality control should be designed to provide it with reasonable assurance that engagements are performed in accordance with professional standards and regulatory and legal requirements, and that the firm or the practitioner-in-charge issues reports that are appropriate in the circumstances. Discuss some of the specific policies and procedures a firm may establish for supervision and review.

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## Case study 3-1



- Required: Review each of the following independent situations, and consider the implications of accepting these engagements.
  1. A client engages Regal and Associates to serve as an outsourced chief financial officer. In this capacity, George King will act as CFO and prepare the financial statements for the organization. These financial statements are provided to the client's primary lender. Does SSARS apply to this engagement? How should Regal and Associates document the scope of the engagement?

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## Case study 3-1 (continued)



- Required: Review each of the following independent situations, and consider the implications of accepting these engagements.
  2. A client needs Regal to prepare its year-end financial statements for review by another accountant. Does SSARS apply to this engagement?

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## Case study 3-2



- Required: Review the case details and answer the following questions:
  1. What is the preparer's responsibility for evaluating going concern issues?
  2. What action should the supervisor take?
  3. Assume that substantial doubt has been raised about PBT's ability to continue as a going concern and adequate disclosures have not been made. What effect would this have on the accountant's review report?

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## Chapter 4: Current Accounting and Reporting Issues

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## Learning objectives



- Identify some of the more common peer review findings in compilation and review engagements.
- Recall basic elements of some new accounting standards that became effective in 2017.
- Recognize the financial reporting framework for small-to-medium size entities (FRF for SMEs™) as an alternative to accounting principles generally accepted in the United States of America (GAAP) and special purpose frameworks (SPFs).

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## Peer review findings— reviews

- Management representation letter
  - Required for all review engagements
  - Should cover all periods presented in the financial statements
  - Tailored by industry

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## Peer review findings—reviews (continued)

- Included in management representation letter
  - Preparation and presentation in accordance with financial reporting framework
  - Design, implementation, and maintenance of internal control system
  - Access to relevant information
  - Truthful response to inquiries
  - Disclosure of matters related to fraud or noncompliance with laws and regulations and possible litigation
  - Summary of uncorrected misstatements
  - Disclosure of significant assumptions
  - Disclosure of related parties
  - Disclosure of subsequent events

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## Peer review findings—reviews (continued)

- Failure to follow basic report elements
  - Written report
  - Title, addressee, introduction, management's responsibility, accountant's responsibility, accountant's conclusion, signature, city and state, date
- Supplementary information—describe degree of responsibility taken
- Engagements
  - Omissions and errors
  - Must be signed by accountant and client

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## Peer review findings—reviews (continued)

- Documentation of expectations for analytical procedures
  - Develop expectations.
  - Compare expectation to ratios, trends, or reasonableness tests.
  - Investigate unexpected results.
- Other considerations
  - Suitability of different analytical procedures
  - Reliability of data
  - Precision of developed expectation
  - Amount of difference sufficient to require further investigation

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## Peer review findings—compilations

- Reporting errors—report should include the following:
  - Management responsibility for financial statements
  - Identify entity and statements subjected to compilation
  - Date covered by the financial statements
  - Engagement conducted in accordance with SSARS
  - Signature
  - City and state
  - Date of the report (date procedures were completed)

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## Peer review findings—compilations (continued)

- Supplementary information—describe degree of responsibility taken.
- Failure to report substantially all required disclosures have been omitted.
  - May be omitted if clearly indicated in the report and not omitted with the intention of misleading users
  - Additional paragraph in accountant's report notes that management omitted the disclosures and had they been included they might influence user's conclusions.
- Engagement letters
  - Omissions and errors
  - Must be signed by accountant and client

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## Other issues identified in peer review

- Code of Professional Conduct
- Independence
- Omission of the statement of cash flows in GAAP-basis financial statements
- Significant departures from the financial statements formats prescribed by industry accounting and audit guides
- Omission of significant matters relates to understanding of the financial statements and cumulative effect of a number of deficiencies
- Compliance with Statements on Quality Control

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## Discussion question



- Discuss your peer review experiences. What do you feel are the benefits of peer review?

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## FASB activity

- Revenue Recognition Standard
  - Issued May 2014—covers all contracts with customers that are not covered by other standards (for example, insurance and leases)
  - Single common revenue recognition model for industries and transactions
  - Five steps to application
    - Identify the contract with customers.
    - Identify the separate performance obligations in the contract.
    - Determine the transaction price.
    - Allocate the transaction price to separate performance obligations.
    - Recognize revenue when (or as) the entity satisfies each performance obligation.
  - Effective for public business entities for fiscal years beginning after December 15, 2016; for all others, effective for fiscal years beginning after December 15, 2018

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## FASB activity—restricted cash

- Issued November 2016 to address diversity in practice for presenting restricted cash in the statement of cash flows
- Effective date for public business entity—for fiscal years beginning after December 15, 2017. Effective date for all others are for fiscal years beginning on or after December 15, 2018.
- Requires the statement of cash flows to explain the change in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents
- Also requires a reconciliation of total cash, cash equivalents, and restricted cash from the cash flow statement to the amounts reported on the balance sheet.

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## FASB activity—consolidation

- Issued in October 2016
- Amends consolidation guidance on reporting about variable interest entities
- Effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017.
- Early adoption is permitted.

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## Other accounting frameworks

- Reporting alternatives to GAAP
  - Special purpose frameworks (SPF) have worked well for some small business
  - AICPA's Financial Reporting Framework for Small and Medium-Size Entities (FRF for SMEs™ framework)
- Advantages
  - Less complex than GAAP
  - Less costly
  - More robust and relevant financial information than is often found in SPF financial statements
- Available for the following:
  - Private
  - For-profit entities

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## FRF for SMEs

- Blend of traditional accounting principles and accrual income tax accounting
- Historical cost is the primary measurement basis.
- Choices among accounting policies
- Encourages the use of professional judgment considering the context
- Minimizes the details and voluminous disclosure requirements

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## FRF for SMEs—revenue and leases

Revenue recognition—traditional, broad, principles-based

- Recognized when performance is achieved and collection is reasonably assured
- Does not apply the five-step process required under the GAAP-based standard

Leases—traditional approach

- Blended with accrual income tax accounting methods
- Leases are either operating or capital to the lessee
- Leases are sales-type, direct-financing, or operating to the lessor

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## Polling question



How many of your clients have implemented the FRF for SMEs framework?

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## Practice questions



In small groups, discuss each of the following statements, determining what response, if any, would be required of the accountant performing a compilation or review engagement.

1. GAAP requires that a statement of cash flows must be presented for every period in which an income statement is presented.
2. The accountant's compilation report states that the accountant is not independent of the client because the accountant is related to the client's controller.

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## Practice questions (continued)



In small groups, discuss each of the following statements, determining what response, if any, would be required of the accountant performing a compilation or review engagement.

3. The management representation letter for a review engagement is signed by the chief financial manager and is limited to the last eight months covered by the financial statements because he or she was not in a position of financial responsibility prior to that.

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## Practice questions (continued)



In small groups, discuss each of the following statements, determining what response, if any, would be required of the accountant performing a compilation or review engagement.

4. Supplementary information is included with the basic financial statements being reviewed. Management has requested that the supplementary information not be subjected to review procedures and the accountant has agreed. No mention is made of this information in the accountant's review report.

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## Chapter 5: On the Horizon

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## Learning objectives



- Identify standard-setting bodies and resources applicable when conducting SSARS engagements.
- Recall the future projects of Accounting and Review Services Committee (ARSC).
- Identify current and future projects of the FASB.

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## Standard-setting bodies

- Accountants performing SSARS engagements can stay abreast of recent developments and forthcoming guidance that may affect their engagements by reviewing the websites of various standard-setting bodies.

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## Polling question



Have you ever visited the website of a standard-setting body?

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## Relevant standard-setters

- ASB—auditing standards for nonpublic entities
- ARSC—SSARS
- Financial Reporting Executive Committee—AICPA policies on financial reporting
- FASB—financial accounting for nongovernmental organizations
- GASB—financial accounting for U.S. state and local government
- IASB—international financial reporting standards
- PCC—advises FASB on private company issues
- PEEC—interpreting and enforcing the Code of Professional Conduct

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## ARSC pipeline

- Exposure Draft—Selected Procedures Engagement
  - Jointly developed with ARSC and ASB
  - Like agreed-upon procedures—perform procedure on subject matter and report findings without any assurance, *but*
    - would be engagement driven,
    - would not require a written assertion, and
    - report would not be restricted.

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## ARSC pipeline (continued)

- Exposure Draft—Omnibus Statement
  - International reporting procedures
    - Financial statements are reviewed in accordance with a financial reporting framework generally accepted in another country.
    - Financial statements are compiled or reviewed in accordance with another set of compilation or review standards.
  - Consideration of going concern in a review engagement
  - Referencing the work of other accountants in a review report

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## Discussion question



What impact might the selected procedures engagement have on your practice?

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## FASB and IASB convergence memorandum of understanding

- Business combinations
- Financial instruments
- Financial statement presentation
- Intangible assets
- Leases
- Liabilities and equity distinctions
- Revenue recognition
- Consolidations
- Derecognition
- Fair value measurement
- Postemployment benefits (including pensions)
- Conceptual framework

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## Questions, Wrap-Up, and Key Points/Lesson Review

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### Supplemental materials

Users of this course material are encouraged to visit [www.aicpa.org/CPESupplements](http://www.aicpa.org/CPESupplements) to access supplemental learning material reflecting recent developments that may be applicable to this course. Supplemental materials will be made available on a quarterly basis.

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# Thank you

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