



AR section 400, *Communications Between Predecessor and Successor Accountants* – Disposition of Requirements

NOTE: HIGHLIGHTED LANGUAGE IS NOT INCLUDED IN SSARS 21 OR THE 2015 GUIDE.

AR section	Paragraph #	Requirement	Section 80 of SSARS 21	Section 90 of SSARS 21	Guide Chapter – Preparation	Guide Chapter – Compilation	Guide Chapter – Review	Notes
400	.03	A successor accountant is not required to communicate with a predecessor accountant in connection with acceptance of a compilation or review engagement, but he or she may believe it is beneficial to obtain information that will assist in determining						Not a requirement – no need to include anything about communications between predecessor and successor accountants in the Guide.

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		<p>whether to accept the engagement. The successor accountant may consider making inquiries of the predecessor accountant when circumstances such as the following exist:</p> <p><i>a.</i> The information obtained about the prospective client and its management and principals is limited or appears to require special attention.</p> <p><i>b.</i> The change in accountants takes place substantially after the end of the accounting period</p>						

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		<p>for which statements are to be compiled or reviewed.</p> <p>c. There have been frequent changes in accountants.</p> <p>The successor accountant should bear in mind that the predecessor accountant and the client may have disagreed about accounting principles, procedures applied by the predecessor accountant, or similarly significant matters.</p>						
400	.04	The successor accountant should request permission from						No need for a requirement for the successor to ask for permission to speak to the successor as such

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		<p>the prospective client to make any inquiries of the predecessor accountant. Except as permitted by the AICPA Code of Professional Conduct, an accountant is precluded from disclosing any confidential information obtained in the course of an engagement unless the client specifically consents. Accordingly, if the successor accountant decides to communicate with the predecessor, the successor accountant</p>						<p>requirement is covered by the Code of Conduct.</p>

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		<p>should request the client to (a) permit the successor accountant to make inquiries of the predecessor accountant and (b) authorize the predecessor accountant to respond fully to those inquiries. If the prospective client refuses to permit the predecessor accountant to respond or limits the response, the successor accountant should inquire about the reasons and consider the implications of that refusal in connection with acceptance of the engagement.</p>						

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400	.05	When the successor accountant decides to communicate with the predecessor accountant, the inquiries may be oral or written. The inquiries should be specific and reasonable regarding matters that will assist the successor accountant in determining whether to accept the engagement. Matters subject to inquiry would include (a) information that might bear on the integrity of management (owners), (b) disagreements with						

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		<p>management (owners) about accounting principles or the necessity for the performance of certain procedures or similarly significant matters, (c) the cooperation of management (owners) in providing additional or revised information, if necessary, (d) the predecessor's knowledge of any fraud or illegal acts perpetrated within the client, and (e) the predecessor's understanding of the reason for the change of accountants.</p>						

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400	.06	The predecessor accountant should respond promptly and fully to the inquiries, on the basis of known facts. However, if the predecessor accountant decides, due to unusual circumstances such as impending, threatened, or potential litigation; disciplinary proceedings; or other unusual circumstances, not to respond fully to the inquiries, the predecessor accountant should indicate that the response is limited. The successor						

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		accountant should consider the implications of a limited response in connection with acceptance of the engagement.						
400	.08	The successor accountant also may wish to review the predecessor's engagement documentation (terms such as <i>working papers</i> or <i>workpapers</i> are also sometimes used). In these circumstances, the successor accountant should request the client to authorize the predecessor accountant to allow access. It is customary in such circumstances for						

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		<p>the predecessor accountant to make himself or herself available to the successor accountant for consultation and to make available for review certain engagement documentation. The predecessor accountant should determine which documentation is to be made available for review and which may be copied. Ordinarily, the predecessor accountant should provide the successor accountant access to documentation relating to matters of continuing</p>						

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		<p>accounting significance and those relating to contingencies. Valid business reasons (including but not limited to unpaid fees), however, may lead the predecessor to decide not to allow access to the documentation. The predecessor accountant may decide to reach an understanding with the successor accountant about the use of the documentation. Further, when more than one accountant is considering acceptance of an engagement, the</p>						

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		predecessor accountant should not be expected to make himself or herself or his or her documentation available until the client has designated one of those accountants as the successor accountant.						
400	.09	The successor accountant should not make reference to the report or work of a predecessor accountant in his or her own report, except as specifically permitted by section 200, <i>Reporting on Comparative Financial Statements</i> , with respect to the				Paragraph 2.59	Paragraph 1.169	The Guide does not preclude referencing the predecessor's report and instead states that while the successor is not required to make reference to the report on the prior period financial statements, the successor is not precluded from making reference in his or her report on the current-period financial statements to the predecessor's report on the prior-period financial statements.

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		financial statements of a prior period.						
400	.10	If, during the engagement, the successor accountant becomes aware of information that leads him or her to believe that financial statements reported on by the predecessor accountant may require revision, the successor accountant should request the client to communicate this information to the predecessor accountant. Paragraphs .47–.52 of section 80, <i>Compilation of Financial Statements</i> , and paragraphs .54–						

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		.59 of section 90, <i>Review of Financial Statements</i> , provide guidance to the predecessor accountant in determining an appropriate course of action with respect to compilation and review engagements, respectively.						
400	.11	If the client refuses to communicate with the predecessor accountant or if the successor accountant is not satisfied with the predecessor accountant's course of action, the successor accountant should evaluate						

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		(a) possible implications for the current engagement and (b) whether to resign from the engagement. Furthermore, the successor accountant may decide to consult with legal counsel in determining an appropriate course of further action.						

Pre-SSARS 21 Interpretations

Communications Between Predecessor and Successor Accountants: Accounting and Review Services Interpretations of Section 400

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Interpretation	SSARS 21	Guide Chapter – Preparation	Guide Chapter – Compilation	Guide Chapter – Review
<p>1. Reports on the Application of Accounting Principles</p> <p>.01 Question—Section 400, <i>Communications Between Predecessor and Successor Accountants</i>, provides guidance on communication between a successor accountant and a predecessor accountant. The guidance provided concerns only the situation in which one accountant succeeds another in a compilation or review engagement.</p> <p>.02 In other situations, an accountant in public practice may be requested by an entity that has not engaged that accountant to report on its financial statements to provide advice about the application of accounting principles or about the type of report to be issued on its financial statements (compilation, review, or audit report). Such requests are often made to obtain a second opinion about these matters from another accountant. What guidance should be followed by the accountant who is requested to provide advice on these matters?</p> <p>.03 Interpretation—AU-C section 915, <i>Reports on Application of Requirements of an Applicable Financial Reporting Framework</i>, addresses the reporting accountant's responsibilities when requested to issue a written report on the application of the requirements of an applicable financial reporting framework to a specific transaction or the type of report that may be issued on a specific entity's financial statements.</p> <p>.04 AU-C section 915 also applies to oral advice provided by the reporting accountant that the reporting accountant concludes is intended to be used by a principal to the transaction as an important factor considered in reaching a decision on the application of the requirements of an applicable financial reporting framework to a specific transaction or on the type of report that may be issued on a specific entity's financial statements.</p> <p>.05 Paragraph .13 of AU-C section 915 states that the reporting accountant should consult with the continuing accountant to determine whether the reporting accountant has obtained the available facts relevant to form a conclusion. The reporting accountant should follow AU-C section 915 for such engagements.</p>				

