

## Agenda Item 1A



### Proposed Standard “Assembly of Prospective Financial Information”

| Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs   | Application and Other Explanatory Material | Notes   |
|---|--|---|
| Introduction  |  |   |
| 1. This section contains performance requirements and application guidance for accountants engaged to assemble prospective financial information for internal use only but are not engaged to perform an examination, an agreed-upon procedures engagement, or a compilation of such prospective financial information. |  | Consistent with paragraph 5.1 of the proposed Chapter 5 of the clarified attestation standards.   |
| 2. Prospective financial information can take the form of prospective financial statements (full presentations) or partial presentations.   |  | Consistent with paragraph 5.2 of the proposed Chapter 5 of the clarified attestation standards. ARSC added the parenthetical for clarity pur- |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>  | <b>Application and Other Explanatory Material</b>  | <b>Notes</b>   |
|---|--|--|
|   |  | poses.   |
| <p>3. The AICPA Guide <i>Prospective Financial Information</i> (the Guide) provides comprehensive guidance regarding the preparation and presentation of prospective financial information. Chapter 6, “Preparation Guidelines,” and chapter 8, “Presentation Guidelines,” of the Guide establish the preparation and presentation guidelines for financial forecasts and financial projections. The Guide also includes information about the types and uses of prospective financial information and interpretive guidance for applying the material in this section.</p> |  | Consistent with paragraph 5.3 of the proposed Chapter 5 of the clarified attestation standards.  |
| Effective Date  |  |  |
| <p>4. This section is effective for the assembly of prospective financial information issued on or after May 1, 2017.</p>   |  | This will agree with the date of the corresponding clarified attestation standard.   |
| Objective   | Objective (Ref: par. 5)  |  |
| <p>5. The objective of the accountant in an engagement to assemble prospective financial information is to prepare prospective financial information in conformity with AICPA presentation</p>  | <p>A1. During the course of an engagement to assemble prospective financial information the accountant may assist the responsible party in</p> | <p>The objective is consistent with the objective of an engagement to prepare financial statements from paragraph .06 of section 70 of SSARS 21.</p> |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>  | <b>Application and Other Explanatory Material</b>   | <b>Notes</b>   |
|---|---|--|
| <p>guidelines based on the responsible party’s assumptions. (Ref: par. A1)</p>  | <p>identifying assumptions or gathering information</p>   | <p>Paragraph A1 is from paragraph 12.02 of the Guide.</p>  |
| <p><b>Definitions</b></p>   | <p><b>Definitions</b> (Ref: par. 6)</p>   |  |
| <p>6. For the purposes of this section, the following definitions apply.</p> <p><b>Entity.</b> Any unit, existing or to be formed, for which financial statements could be prepared in accordance with generally accepted accounting principles or special purpose frameworks. For example, an entity can be an individual, partnership, corporation, trust, estate, association, or governmental unit. (Ref: par. A2)</p> <p><b>Financial forecast.</b> Prospective financial statements that present, to the best of the responsible party’s knowledge and belief, an entity’s expected financial position, results of operations, and cash flows. A financial forecast is based on the responsible party’s assumptions reflecting conditions it expects to exist and the course of action it expects to take. A financial forecast may be expressed in specific monetary amounts as a single-point estimate of forecasted results or as a range, where the responsible party selects key assumptions to form a range within which it</p> | <p><b>A2.</b> The term <i>entity</i> is used elsewhere in SSARSs. However, the definition of the term <i>entity</i> in paragraph 6 is applicable only to this section.</p> <p><b>A3.</b> The Guide notes that in a financial projection, the responsible party need not have a reasonably objective basis for the hypothetical assumptions, but generally, as the number or significance of the hypothetical assumptions increases, the less likely that it is appropriate for the responsible party to present a financial projection.</p> | <p>Definition and application guidance is from paragraphs 5.9 and 5.A4-A6 of the proposed Chapter 5 of the clarified attestation standards. The definition is consistent with paragraph 3.04 of the Guide. The definition of entity in the application paragraph is consistent with paragraph 3.07 of the Guide.</p> |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>   | <b>Application and Other Explanatory Material</b> | <b>Notes</b> |
|--|---|--------------|
| <p>reasonably expects, to the best of its knowledge and belief, the item or items subject to the assumptions to actually fall. If a forecast contains a range, the range is not selected in a biased or misleading manner—for example, a range in which one end is significantly less expected than the other. (Ref: par. A3)</p> <p><b>Financial projection.</b> Prospective financial statements that present, to the best of the responsible party’s knowledge and belief, given one or more hypothetical assumptions, an entity’s expected financial position, results of operations, and cash flows. A financial projection is sometimes prepared to present one or more hypothetical courses of action for evaluation, as in response to a question that begins, for instance, “What would happen if...?” A financial projection is based on the responsible party’s assumptions reflecting conditions it expects would exist and the course of action it expects would be taken, given one or more hypothetical assumptions. A projection, like a forecast, may contain a range.</p> <p><b>Guide.</b> The AICPA guide <i>Prospective Financial Information</i>.</p> |   |              |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>   | <b>Application and Other Explanatory Material</b>  | <b>Notes</b>   |
|--|--|--|
| <p><b>Hypothetical assumption.</b> An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the projection.</p> <p><b>Key factors.</b> The significant matters on which an entity’s future results are expected to depend. Such factors are basic to the entity’s operations and thus encompass matters that affect, among other things, the entity’s sources of revenue, production, service, and financing activities. Key factors serve as a foundation for prospective financial information and are the bases for the assumptions.</p> <p><b>Partial presentation.</b> A presentation of prospective financial information that excludes one or more of the applicable items required for full presentations of prospective financial statements as set forth in chapter 8 of the Guide.</p> <p><b>Presentation guidelines.</b> The criteria for the presentation and disclosure of prospective financial information. (Ref: par. A4)</p> | <p><b>A4.</b> Chapter 8 of the Guide contains the guidelines for the presentation and disclosure of prospective financial information.</p> | <p>The definition of “key factors” in the Guide refers to “sales” as opposed to “sources of revenue”. The term “sources of revenue” is proposed to be used so as to be industry-neutral. The Task Force pointed out the potential issue with Don Pallais (Chair of the Task Force clarifying the attestation literature). DP stated that the ASB Task Force can raise the issue with the ASB but that it would be inconsistent with the approach applied to the proposed SSAE. The SSAE does not define “key factors” but quotes the definition in the Guide. The term is introduced in the preparation and presentation guidance, which is an area not under the ASB or ARSC purview. So the proposed SSAE does not seek to change the definition as that would make it inconsistent with the preparation and</p> |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>  | <b>Application and Other Explanatory Material</b>  | <b>Notes</b>   |
|---|--|--|
| <p><b>Prospective financial information.</b> Any financial information about the future. The information may be presented as complete financial statements or limited to one or more elements, items, or accounts.</p> <p><b>Prospective financial statements.</b> Either financial forecasts or financial projections including the summaries of significant assumptions and accounting policies. Although prospective financial statements may cover a period that has partially expired, statements for periods that have completely expired are not considered to be prospective financial statements. Pro forma financial statements and partial presentations are not considered to be prospective financial statements. (Ref: par. A5)</p> <p><b>Responsible party.</b> The person or persons who are responsible for the assumptions underlying the prospective financial information. The responsible party usually is management but it can be persons outside the entity who currently do not have the authority to direct operations (for example, a party considering acquiring the entity).</p> | <p><b>A5.</b> The objective of pro forma financial information is to show what the significant effects on the historical financial statements might have been had a consummated or proposed transaction or event occurred at an earlier date. Although the transaction in question might be prospective, this section does not apply to such presentations because they are essentially historical financial statements and do not purport to be prospective financial statements. See [reference Pro Forma SSARS]</p> | <p>presentation guidance.</p> <p>From paragraph 3.09 of the Guide.</p> |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>  | <b>Application and Other Explanatory Material</b>  | <b>Notes</b>                                   |
|---|--|--|
| Requirements  |  |  |
| <b>General Principles for Engagements to Assemble Prospective Financial Information</b>   |  |  |
| 7. In addition to complying with this chapter, an accountant is required to comply with section 60, <i>General Principles for Engagements Performed in Accordance with Statements on Standards for Accounting and Review Services</i> . |  |  |
| <b>Independence</b>   | <b>Independence (Ref: par. 8)</b>  |  |
| 8. An engagement to assemble prospective financial information is a nonattest service and does not require a determination about whether the accountant is independent of the entity. (Ref: par. A6)                                    | <b>A6.</b> The “Nonattest Services” subtopic of the “Independence Rule” (AICPA, <i>Professional Standards</i> , ET section 1.295) addresses the accountant’s considerations with respect to independence when performing nonattest services for attest clients. The accountant needs to be aware that the performance of an engagement to assemble prospective financial information may impair independence unless the safeguards described in this subtopic are met. |  |
| <b>Acceptance and Continuance of Client Relationships</b>   | <b>Acceptance and Continuance of Client Relationships (Ref: par. 9-10, 12, and 22)</b>   |  |
| <b>9.</b> The accountant is prohibited from accept-   | <b>A7.</b> A potential use is considered to be   | Application paragraph A7 is from footnote 1 to |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>  | <b>Application and Other Explanatory Material</b>  | <b>Notes</b>                         |
|---|--|--------------------------------------|
| <p>ing an assembly engagement on prospective financial information unless such prospective financial information is intended solely for internal use. (Ref: par. A7-A8)</p> | <p>internal use if the interests of the responsible party and the user regarding the prospective financial information are substantially consistent. For example, both the responsible party and the user are employees of the entity about which the prospective financial information is made. On the other hand, where the interest of the responsible party and the users are potentially inconsistent, the use would not be deemed internal use. For example, the responsible party is a nonowner manager and the user is an absentee owner. In some cases, this determination may require exercise of considerable professional judgment.</p> <p><b>A8.</b> Prospective financial information that is not accompanied by an accountant’s report is restricted for internal use only to allow efficiency between the accountant and the responsible party. This facilitates the ability to efficiently work with the responsible party to change assumptions and prepare multiple iterations without focusing on completing documentation and</p> | <p>paragraph 22.01 of the Guide.</p> |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs   | Application and Other Explanatory Material  | Notes   |
|---|---|---|
|   | other items during the assembly process.  |   |
| <p><b>10.</b> The summary of significant assumptions is essential to the user’s understanding of prospective financial information. Accordingly, the accountant should not assemble (Ref: par. A9):</p> <ul style="list-style-type: none"> <li>a. prospective financial information that exclude disclosure of the summary of significant assumptions, or</li> <li>b. a financial projection that excludes either (a) an identification of the hypothetical assumptions or (b) a description of the limitations on the usefulness of the presentation.</li> </ul> | <p><b>A9.</b> During the process of developing the prospective financial information, the accountant and the responsible party may develop numerous iterations of draft prospective financial information. In such instances, the accountant would follow the requirements in paragraph 22. Such draft prospective financial information do not need to include assumptions or be in conformity with AICPA presentation guidelines.</p> | <p>Paragraphs 12.03 and 12.03P of the Guide.</p> <p>Note to ARSC – this is different from the Guide which permits prospective financial statements that omit the significant assumptions in an engagement where a report is not issued.</p> |
| <p>11. As a condition for accepting an engagement to assemble an entity’s prospective financial information, in addition to the requirements in paragraph .25c of AR-C section 60, the accountant should obtain the agreement of the responsible party that the prospective financial information will be for internal use only.</p>  |   |   |
| <p>12. If the accountant is not satisfied about</p>   | <p><b>A10.</b> If the accountant is not satisfied re-</p>   |   |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>   | <b>Application and Other Explanatory Material</b>  | <b>Notes</b>   |
|--|--|--|
| <p>any of the matters set out in paragraph .25 of AR-C section 60 or paragraph .10 of this section as preconditions for accepting an engagement to assemble prospective financial information, the accountant should discuss the matter with the responsible party. If changes cannot be made to satisfy the accountant about those matters, the accountant should not accept the proposed engagement. (Ref: par. A10)</p> | <p>garding the preconditions for accepting an engagement to assemble prospective financial information, the accountant may be able to accept a compilation, examination, or agreed-upon procedures engagement with respect to the prospective financial information.</p>   |  |
| <p><b>Agreement on Engagement Terms</b></p>  | <p><b>Agreement on Engagement Terms</b><br/>(Ref: par. 13)</p>   |  |
| <p>13. The accountant should agree upon the terms of the engagement with the responsible party. The agreed-upon terms of the engagement should be documented in an engagement letter or other suitable form of written agreement and should include the following: (Ref: par. A11-A12 and A14)</p> <p style="padding-left: 40px;">a. The objective of the engagement</p>   | <p><b>.A11</b> Both the responsible party and the accountant have an interest in documenting the terms of the engagement before the commencement of the engagement to help avoid misunderstandings with respect to the engagement. For example, it reduces the risk that the responsible party may inappropriately rely on or expect the accountant to protect it against certain risks or perform certain functions, including those that are the responsible party’s respon-</p> | <p>Consistent with the engagement letter requirements in sections 70 and 80 of SSARS No. 21.</p> |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs   | Application and Other Explanatory Material   | Notes |
|---|--|-------|
| <p>b. The responsibilities of the responsible party (Ref: par. A13)</p> <p>c. The responsibilities of the accountant</p> <p>d. The limitations of the engagement</p> <p>e. Identification of the AICPA Guide “Prospective Financial Information” as the source for the presentation guidelines of the prospective financial information</p> | <p>sibility.</p> <p><b>.A12</b> A contract is another suitable form of written communication. The understanding with the responsible party regarding the services to be performed for engagements to assemble prospective financial information is required by paragraph 13 to be in a documented form, and, accordingly, a verbal understanding is insufficient. An engagement letter is the most common and usually the most convenient method for documenting the understanding with the responsible party regarding the services to be performed for engagements to assemble prospective financial statements.</p> <p><b>A13.</b> The responsibilities of the responsible party are set forth in paragraph .25c of section 60.</p> <p><b>.A14</b> Illustrative examples of engagement letters for engagements to assemble of prospective financial information are presented in exhibit A,</p> |       |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>  | <b>Application and Other Explanatory Material</b> | <b>Notes</b>   |
|---|---|--|
| <p><i>f.</i> Whether the prospective financial information is to omit disclosures required by the presentation guidelines established by the AICPA.</p>   | <p>“Illustrative Engagement Letters.”</p>         |  |
| <p>14. The agreed-upon terms of the engagement should also include the agreement of the responsible party that:</p> <ul style="list-style-type: none"> <li>a. The prospective financial information is for internal use only and will not be distributed to any other users.</li> <li>b. Each page of the prospective financial information will include a statement indicating that no assurance is provided on the prospective financial information and the prospective financial information is for internal use only.</li> </ul> <p>If the responsible party does not acknowledge these items, the accountant is prohibited from accepting the engagement to assemble the prospective financial information.</p> |   | <p>The option of issuing a disclaimer is not provided because the disclaimer is similar to the compilation reporting wording. In a compilation of prospective financial information (in contrast to a compilation of historical financial statements), the work effort is significantly greater.</p> |
| <p>15. The engagement letter or other suitable</p>  |   |  |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>   | <b>Application and Other Explanatory Material</b>  | <b>Notes</b>   |
|--|--|--|
| <p>form of written agreement should be signed by</p> <ul style="list-style-type: none"> <li>a. The accountant or the accountant’s firm and</li> <li>b. The responsible party</li> </ul>                        |  |  |
| <b>The Accountant’s Knowledge and Understanding of the Guidelines for the Preparation and Presentation of Prospective Financial Information</b>  | <b>The Accountant’s Knowledge and Understanding of the Guidelines for the Preparation and Presentation of Prospective Financial Information</b> (Ref: par. 16) |  |
| 16. The accountant should understand the guidelines for the preparation and presentation of prospective financial information. (Ref: par. A15)   | A15. The preparation and presentation guidelines are contained in the Guide.   | Consistent with paragraph 5.11 and 5.A10 of the proposed SSAE.   |
| <b>Assembling Prospective Financial Information</b>  | <b>Assembling Prospective Financial Information</b> (Ref: par. 19)   |  |
| 17. The accountant is prohibited from preparing prospective financial information unless, at a minimum, the accountant performs an assembly engagement with respect to such prospective financial information. |  | Note to ARSC – do we need to further define what “prepare” means in the context of prospective financial statements? |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs  | Application and Other Explanatory Material  | Notes   |
|--|---|---|
| <p>18. The accountant should prepare the prospective financial information using the assumptions, documents, explanations, and other information provided by the responsible party.</p>  |   |   |
| <p>19. The accountant should ensure that a statement is included on each page of the prospective financial information indicating, at a minimum, that “no assurance is provided” on the prospective financial information and that the prospective financial information is “for internal use only.” If each page of the prospective financial information does not include the required statements, the accountant should withdraw from the engagement to assemble the prospective financial information. (Ref: par. A16-A17)</p> | <p><b>.A16</b> The statement on each page of the prospective financial information is intended to avoid misunderstanding on the part of users with respect to the accountant’s involvement with the prospective financial information. <b>The statement is made at the responsible party’s discretion,</b> and the accountant or the accountant’s firm name is not required to be included. The accountant is concerned that the indication is not misleading. Examples of a statement on each page of the prospective financial information include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>• No assurance is provided on this prospective financial information – For Internal Use Only.</li> <li>• This prospective financial infor-</li> </ul> | <p>Note to ARSC: This language is from SSARS 21. Do we need additional clarity as to what this means?</p> |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>  | <b>Application and Other Explanatory Material</b>   | <b>Notes</b> |
|---|---|--------------|
|   | <p style="text-align: center;">mation is for internal use only and has not been subjected to an examination, compilation, or agreed-upon procedures engagement, and no assurance is provided on it.</p> <p style="text-align: center;">Other statements that convey that no assurance is provided on the prospective financial information and that the prospective financial information is restricted for internal use only would also be acceptable.</p> <p><b>A17.</b> If the accountant is unable to ensure that the statement as required by paragraph 17 is included on each page of the prospective financial information, the accountant may be able to accept a compilation, examination, or agreed-upon procedures engagement with respect to the prospective financial information.</p> |              |
| <p><b>20.</b> Except as precluded by paragraph 10, the accountant is not precluded from performing an assembly engagement on prospective financial information that omits disclosures required by the presentation guide-</p> |   |              |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>  | <b>Application and Other Explanatory Material</b>   | <b>Notes</b>   |
|---|---|--|
| lines established by the AICPA provided that the omission of disclosures is not intended to mislead users of the prospective financial information.   |   |  |
| <b>Partial Presentations</b>  | <b>Partial Presentations</b> (Ref: par. 21)   |  |
| <p><b>21.</b> When assembling a partial presentation, the accountant should give appropriate consideration to whether key factors affecting elements, accounts, or items that are interrelated with those in the partial presentation have been considered, including key factors that may not necessarily be obvious to the reader of a partial presentation (for example, productive capacity relative to a sales forecast), and whether all significant assumptions have been disclosed. (Ref: par. A18)</p> | <p><b>A18.</b> Chapter 23 of the Guide addresses partial presentations.</p>   | <p>Note to ARSC: We do not have a corresponding requirement with respect to key factors in an assembly in a full presentation. Is it needed?</p> |
| <b>Draft Prospective Financial Information</b>  | <b>Draft Prospective Financial Information</b> (Ref: par. 22a)  |  |
| <p><b>22.</b> The accountant may prepare and present draft prospective financial information to the re-</p>   | <p><b>A19.</b> The accountant may be engaged to assemble prospective financial information and prepare numerous drafts in the assembly pro-</p> |  |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>   | <b>Application and Other Explanatory Material</b>  | <b>Notes</b> |
|--|--|--------------|
| <p>responsible party provided (Ref: par. A9)</p> <p>a. the accountant intends to prepare and present such prospective financial information in final form in accordance with the requirements of this section. (Ref: par. A19)</p> <p>b. each page of the draft prospective financial information includes a statement indicating that the prospective financial information is a draft.</p>                                     | <p>cess with the intent to issue prospective financial information in final form. However, the responsible party may terminate the engagement due to information learned in the drafting process. In such instances, the accountant has no further obligation or responsibility.</p> |              |
| <p>Documentation</p>   | <p>Documentation (Ref: par. 23)</p>  |              |
| <p><b>23.</b> The accountant should prepare documentation in connection with each engagement to assemble prospective financial information in sufficient detail to provide a clear understanding of the work performed which, at a minimum, includes the following: (Ref: par. A20)</p> <p>a. The engagement letter or other suitable form of written documentation with responsible party, as described in paragraphs 13-15</p> | <p><b>A20.</b> Documentation may include documentation regarding significant consultations or significant professional judgments made throughout the engagement.</p>   |              |

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

| <b>Introduction, Effective Date, Objective, Definitions, and Requirements Paragraphs</b>   | <b>Application and Other Explanatory Material</b> | <b>Notes</b> |
|--|---|--------------|
| <p>b. The list of the responsible party’s significant assumptions providing the basis for the prospective financial information.</p> <p>c. A copy of the prospective financial statements that the accountant assembled.</p> |   |              |

**.A21**

**Exhibit A—Illustrative Engagement Letters** (Ref: par. .A14)

|  |
|--|
| <p><b>Illustration 1</b>—An Engagement Letter for an Engagement to Assemble a Financial Forecast</p>   |
| <p><b>Illustration 2</b>—An Engagement Letter for an Engagement to Assemble a Financial Projection</p> |

The illustrative engagement letters in this exhibit are intended as illustrations that may be used in conjunction with the considerations outlined in Statements on Standards for Accounting and Review Services. The engagement letter will vary according to individual requirements and circumstances. The accountant may seek legal advice about whether a proposed letter is suitable.

**Illustration 1**—An Engagement Letter for an Engagement to Assemble a Financial Forecast

Circumstances include the following:

- The accountant is engaged to assemble a financial forecast

- The responsible party is management.

To the appropriate representative of ABC Company:<sup>1</sup>

You<sup>2</sup> have requested that we assemble the financial forecast of ABC Company, which comprise the forecasted balance sheet as of December 31, 20XX, and the related forecasted statements of income, changes in stockholders’ equity, and cash flows, and summaries of significant assumptions and accounting policies for the year then ending. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

A financial forecast presents, to the best of management’s knowledge and belief, the Company’s expected financial position, results of operations, and cash flows for the forecast period. It is based on management’s assumptions, reflecting conditions it expects to exist and the course of action it expects to take during the forecast period.

### **Our Responsibilities**

The objective of our engagement is to assemble the financial forecast in conformity with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants based on your assumptions.<sup>1</sup> We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA’s Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion or provide any assurance on the achievability of the forecast or the reasonableness of the underlying assumptions.

---

<sup>1</sup> The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the compilation or engagement to assemble prospective financial statements, including the relevant jurisdiction. It is important to refer to the appropriate persons.

<sup>2</sup> Throughout this engagement letter, references to *you, we, us, management,* and *accountant* would be used or amended as appropriate in the circumstances. If the responsible party is other than management, the references to management would generally be replaced with the name of the party who assumes responsibility for the assumptions.

<sup>1</sup> If the presentation is to be summarized as illustrated in Exhibit 9-2 of the AICPA Guide, *Prospective Financial Information*, this sentence might read, “The objective of our engagement is to assemble the summarized financial forecast in conformity with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants based on your assumptions.”

Our engagement cannot be relied upon to identify or disclose any prospective financial statement information misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

### **Management Responsibilities**

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is to assemble the financial forecast in conformity with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to assemble the financial forecast in accordance with SSARSs:

- a.* The prevention and detection of fraud
- b.* To ensure that the entity complies with the laws and regulations applicable to its activities
- c.* Representations about its plans and expectations and for disclosure of significant information that might affect the ultimate realization of the forecasted results
- d.* The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare the financial forecast
- e.* To provide us with:
  - i.* Assumptions that are appropriate for the forecast,
  - ii.* Documentation, and other related information that is relevant to the preparation and presentation of the financial forecast,
  - iii.* Additional information that may be requested for the purpose of the preparation of the financial forecast, and
  - iv.* Unrestricted access to persons within ABC Company of whom we determine necessary to communicate.

The forecast will not be accompanied by a report and is intended for to be used solely by management and those charged with governance and is not to be distributed to any external third parties. You represent and acknowledge that the forecast is for use solely by management and those charged with governance and will not be distributed to any external third party. You further agree that the forecast will clearly indicate that no assurance is provided on it and that it is for internal use only.

If the assumptions provided by management are inappropriate and are not revised to our satisfaction, we will be unable to complete our engagement.

### **Other Relevant Information**

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

Our fees for these services . . . .

*[The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

*You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney’s fees, resulting from management’s knowing misrepresentations to us.]*

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to assemble the financial forecast described herein, and our respective responsibilities.

Sincerely yours,

\_\_\_\_\_

*[Signature of accountant or accountant’s firm]*

Acknowledged and agreed on behalf of ABC Company by:

\_\_\_\_\_

*[Signed]*

*[Name and Title]*

\_\_\_\_\_

*[Date]*

**Illustration 2**—An Engagement Letter for an Engagement to Assemble a Financial Projection

Circumstances include the following:

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

- The accountant is engaged to assemble a financial projection
- Management is the responsible party.

To the appropriate representative of ABC Company:<sup>1</sup>

You<sup>2</sup> have requested that we assemble the financial projection of ABC Company which comprise the projected balance sheet as of December 31, 20XX, and the related projected statements of income, changes in stockholders’ equity, and cash flows, and summaries of significant assumptions and accounting policies for the year then ending. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

The financial projection presents, to the best of management’s knowledge and belief, the Company’s expected financial position, results of operations, and cash flows for the projection period assuming [*describe hypothetical assumptions*]. It is based on management’s assumptions, reflecting conditions it expects would exist and courses of action it expects would be taken during the projection period assuming [*describe hypothetical assumptions*].

### **Our Responsibilities**

The objective of our engagement is to assemble the financial projection in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants based on your assumptions. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA’s Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion or provide any assurance on the achievability of the projection or the reasonableness of the underlying assumptions.

---

<sup>1</sup> The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the engagement to assemble prospective financial statements, including the relevant jurisdiction. It is important to refer to the appropriate persons.

<sup>2</sup> Throughout this engagement letter, references to *you, we, us, management, and accountant* would be used or amended as appropriate in the circumstances. If the responsible party is other than management, the references to management would generally be replaced with the name of the party who assumes responsibility for the assumptions.

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

Our engagement cannot be relied upon to identify or disclose any prospective financial information misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

### **Management Responsibilities**

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is to assemble the financial projection in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare the financial projection in accordance with SSARs:

- a.* The prevention and detection of fraud
- b.* To ensure that the entity complies with the laws and regulations applicable to its activities
- c.* Representations about its plans and expectations and for disclosure of significant information that might affect the ultimate realization of the projected results
- d.* The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare the financial projection
- e.* To provide us with:
  - i.* Assumptions that are appropriate for the projection,
  - ii.* Documentation, and other related information that is relevant to the assembly and presentation of the financial projection,
  - iii.* Additional information that may be requested for the purpose of the assembly of the financial projection, and
  - iv.* Unrestricted access to persons within ABC Company of whom we determine necessary to communicate.

The projection will not be accompanied by a report and is intended to be used solely for use by management and those charged with governance and is not to be distributed to any external third parties. You represent and acknowledge that the projection is for use solely by management and those charged with governance and will not be distributed to any external third party. You further agree that the projection will clearly indicate that no assurance is provided on it and that it is for internal use only.

If the assumptions provided by management are inappropriate and are not revised to our satisfaction, we will be unable to complete our engagement.

### **Other Relevant Information**

Proposed SSARS “Assembly of Prospective Financial Information”  
ARSC Meeting, April 28-30, 2015

Our fees for these services . . . .

*[The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

*[You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney’s fees, resulting from management’s knowing misrepresentations to us.]*

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to assemble the financial projection described herein, and our respective responsibilities.

Sincerely yours,

\_\_\_\_\_

*[Signature of accountant or accountant’s firm]*

Acknowledged and agreed on behalf of ABC Company by:

\_\_\_\_\_

*[Signed]*

*[Name and Title]*

\_\_\_\_\_

*[Date]*