

Agenda Item 2A



Proposed Standard “Compilation of Prospective Financial Information”

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Introduction		
1. This section contains performance and reporting requirements and application guidance for accountants engaged to perform a compilation engagement on 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 purposes.
3. The AICPA Guide <i>Prospective Financial Information</i> (the Guide) provides comprehensive guidance regarding the prep-		Consistent with paragraph 5.3 of the proposed

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<p>ration 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>		<p>Chapter 5 of the clarified attestation standards.</p>
<p>Effective Date</p>		
<p>4. This section is effective for compilation reports on prospective financial information dated on or after May 1, 2017.</p>		<p>This will agree with the date of the corresponding clarified attestation standard.</p>
<p>Objective</p>	<p>Objective (Ref: par. 5)</p>	
<p>5. The objective of the accountant in a compilation of prospective financial information is to apply accounting and financial reporting expertise to assist the responsible party in the presentation of prospective financial information and report in accordance with this section without undertaking to obtain or pro-</p>	<p>A1. During the course of the compilation engagement, the accountant may assist the responsible party in identifying assumptions or gathering information.</p>	<p>The objective is consistent with the objective of a compilation from paragraph .04 of section 80 of SSARS 21.</p>

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<p>vide any assurance on the (Ref: par. A1)</p> <p>a. prospective financial information in order for it to be in presented in accordance with AICPA presentation guidelines or</p> <p>b. assumptions underlying the prospective financial information</p>		
Definitions	Definitions (Ref: par. 6 and 17f)	
<p>6. For the purposes of this section, the following definitions apply.</p> <p>Entity. 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>Financial forecast. 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</p>	<p>A2. The term <i>entity</i> is used elsewhere in SSARSs. However, the definition of the term <i>entity</i> in paragraph 8 is applicable only to this section.</p> <p>A3. As indicated in chapter 4, “Types of Prospective Financial Information and Their Uses,” of the Guide, prospective financial statements are for either general use or limited use. General use of prospective financial statements</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>

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<p>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 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-A4)</p> <p>Financial projection. 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 tak-</p>	<p>refers to the use of the statements by persons with whom the responsible party is not negotiating directly—for example, in an offering statement of an entity’s debt or equity interests. Because recipients of prospective financial statements distributed for general use are unable to ask the responsible party directly about the presentation, the presentation most useful to them is one that portrays, to the best of the responsible party’s knowledge and belief, the expected results. Thus, only a financial forecast is appropriate for general use.</p> <p>A4. Limited use of prospective financial statements refers to the use of prospective financial statements by the responsible party alone or by the responsible party and third parties with whom the responsible party is negotiating directly. Examples include use in negotiations for a bank loan, submission to a regulatory agency, and use solely within the entity. Third-party recipients of prospective financial statements intended for limited use can ask questions of the responsible party and negotiate terms directly with it. Any type of prospective financial statements that would be useful in the circumstances would normally be ap-</p>	

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<p>en, given one or more hypothetical assumptions. A projection, like a forecast, may contain a range. (Ref: par. A3-A5)</p> <p>Guide. The AICPA guide <i>Prospective Financial Information</i>.</p> <p>Hypothetical assumption. 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>Key factors. 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>Partial presentation. A presentation of prospective financial information that excludes one or more of the applicable items required for full presentations of prospective financial statements</p>	<p>propriate for limited use. Thus, the presentation may be a financial forecast or a financial projection.</p> <p>A5. 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>A6. Paragraph 23.3 of the Guide establishes a limitation on the use of partial presentations. Paragraph 3 states in part, “partial presenta-</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 guid-</p>

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<p>as set forth in chapter 8 of the Guide. (Ref: par. A6)</p> <p>Presentation guidelines. The criteria for the presentation and disclosure of prospective financial information. (Ref: par. A7)</p> <p>Prospective financial information. 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>Prospective financial statements. 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 par-</p>	<p>tions are not ordinarily appropriate for general use. Accordingly, a partial presentation ordinarily should not be distributed to third parties who will not be negotiating directly with the responsible party (for example, in an offering document for an entity's debt or equity interests). In this context, negotiating directly is defined as a third-party user's ability to ask questions of, and negotiate the terms or structure of, a transaction directly with the responsible party.”</p> <p>A7. Chapter 8 of the Guide contains the guidelines for the presentation and disclosure of prospective financial information.</p> <p>A8. 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 pro-</p>	<p>ance, 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 presentation guidance.</p>

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<p>tially 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. A8)</p> <p>Responsible party. 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>posed 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>From paragraph 3.09 of the Guide.</p>
Requirements		
General Principles for Compilations of Prospective Financial Information		
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> .		
Independence	Independence (Ref: par. 8)	
8. In a compilation of prospective financial information, the accountant must determine	A9. The interpretations of the “Independence Rule” (ET sec. 1.200.001) of the	

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<p>whether the accountant is independent of the entity. (Ref: par. A9)</p>	<p>AICPA Code of Professional Conduct provide authoritative guidance with respect to independence. It is in the public interest and, therefore, required by this section, that the accountant modify the accountant’s compilation report when the accountant is not independent of the entity whose prospective financial information is the subject of the compilation engagement. The AICPA Code of Professional Conduct also defines <i>independence</i> as consisting of two elements, independence of mind and independence in appearance. Independence enhances the accountant’s ability to act with integrity and be objective. Independence implies an impartiality that recognizes an obligation to be fair not only to the responsible party but also to users of the prospective financial information, who may rely upon the accountant’s compilation report. In the absence of an interpretation of the “Independence Rule” that addresses a particular relationship or circumstance, a member should apply the “Conceptual Framework for Independence” interpretation (ET sec. 1.210.010).</p>	
Acceptance and Continuance of Client	Acceptance and Continuance of Client	

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<p>Relationships</p> <p>9. Because a financial projection is not appropriate for general use, an accountant should not permit the use of the accountant’s name in conjunction with a financial projection that the accountant has reason to believe will be distributed to those who will not be negotiating directly with the responsible party – for example, in an offering statement of an entity’s debt or equity interests, unless the projection is used to supplement a financial forecast for a period covered by the forecast. (Ref: par. A10)</p>	<p>Relationships (Ref: par. 9 and 11)</p> <p>A10. Because recipients of prospective financial information distributed for general use are unable to ask the responsible party directly about the presentation, the presentation most useful to them is one that portrays, to the best of the responsible party’s knowledge and belief, the expected results. Thus, only a financial forecast is appropriate for general use.</p>	<p>Paragraph 9 is consistent with paragraph 5.10 of the proposed SSAE.</p>
<p>10. The summary of significant assumptions is essential to the user’s understanding of prospective financial information. Accordingly, the accountant should not perform a compilation engagement on:</p> <ul style="list-style-type: none"> a. prospective financial information that exclude disclosure of the summary of significant assumptions, or b. a financial projection that excludes either (a) an identification of the hypothetical assumptions or (b) a descrip- 		<p>Paragraphs 12.03 and 12.03P of the Guide.</p>

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<p>tion of the limitations on the usefulness of the presentation.</p>		
<p>11. As a condition for accepting an engagement to perform a compilation with respect to an entity’s prospective financial information, in addition to the requirements in paragraph .25 of AR-C section 60, the accountant should obtain the agreement of the responsible party that it acknowledges and understands its responsibility:</p> <p>a. for the preparation and fair presentation of prospective financial information in conformity with guidelines for presentations of prospective financial information established by the American Institute of Certified Public Accountants, and the underlying assumptions. (Ref: par. A11)</p> <p>b. to obtain the accountant’s permission prior to including the accountant’s compilation report in any document containing the prospective financial information that indicates that the entity’s accountant has performed a compilation engagement on</p>	<p>A11. A compilation in accordance with SSARSs is conducted on the premise that the responsible party has acknowledged and understands that it has the responsibility set out in paragraph .25c of AR-C section 60. The preparation of prospective financial information, in whole or in part, is a nonattest service subject to the provisions of the “Nonattest Services” subtopic of the “Independence Rule” (AICPA, <i>Professional Standards</i>, ET section 1.295). To avoid misunderstanding, agreement is reached with the responsible party that it acknowledges and understands that it has such responsibilities as part of agreeing</p>	<p>Consider application guidance as to why we need b.</p>

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such prospective financial information.	and documenting the terms of the compilation engagement as required by paragraphs 18-21.	
12. If the accountant is not satisfied about any of the matters set out in paragraph .25 of AR-C section 60 or paragraph .11 of this section as preconditions for accepting a compilation engagement with respect to 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.		
Agreement on Engagement Terms	Agreement on Engagement Terms (Ref: par. 13 and 15)	
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. A12-A13 and A15) a. The objective of the engagement	.A12 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	Consistent with the engagement letter requirements in sections 70 and 80 of SSARS No. 21.

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<p>b. The responsibilities of the responsible party (Ref: par. A14)</p> <p>b. The responsibilities of the accountant</p>	<p>against certain risks or perform certain functions, including those that are the responsible party’s responsibility.</p> <p>.A13 A contract is another suitable form of written communication. The understanding with the responsible party regarding the services to be performed for a compilation engagement on prospective financial statements 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 a compilation engagement on prospective financial statements.</p> <p>A14. The responsibilities of the responsible party are set forth in paragraph .25c of section 60 and in paragraph</p>	

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<ul style="list-style-type: none"> c. The limitations of the engagement d. Identification of the AICPA Guide “Prospective Financial Information” as the source for the presentation guidelines of the prospective financial information e. Whether the prospective financial information is to omit disclosures required by the presentation guidelines established by the AICPA. 	<p style="text-align: center;">11 of this section.</p> <p>.A15 Illustrative examples of engagement letters for compilations of prospective financial information are presented in exhibit A, “Illustrative Engagement Letters.”</p>	
<p>14. The agreed-upon terms of the engagement should also include:</p> <ul style="list-style-type: none"> a. an acknowledgment that the responsible party agrees to provide the accountant, at the conclusion of the engagement, with a letter that confirms certain representations made during the engagement; and b. the expected form and content of the accountant’s report and a statement that there may be circumstances in which the report may differ from its expected form and content. 		

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<p>15. The engagement letter or other suitable form of written agreement should be signed by</p> <ul style="list-style-type: none"> a. The accountant or the accountant’s firm and b. The responsible party 		
The Accountant’s Knowledge and Understanding of the Guidelines for the Preparation and Presentation of Prospective Financial Information	The Accountant’s Knowledge and Understanding of the Guidelines for the Preparation and Presentation of Prospective Financial Information (Ref: par. 16)	
<p>16. The accountant should understand the guidelines for the preparation and presentation of prospective financial information. (Ref: par. A16)</p>	<p>A16. The preparation and presentation guidelines are contained in the Guide.</p>	<p>Consistent with paragraph 5.11 and 5.A10 of the proposed SSAE.</p> <p>The proposed SSAE runs the requirement to “be familiar with the guidelines”. This is slightly inconsistent with SSARS 21 which states that the accountant should “obtain an understanding”. The ASB Task Force questions whether it makes sense to require obtaining technical proficiency for each engagement.</p>
Compilation Procedures	Compilation Procedures (Ref: par. 17h)	
<p>17. In performing a compilation of prospective financial information the accountant</p>		

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should, where applicable:

- a. Inquire about the accounting principles used in the preparation of the prospective financial information

- (1) For existing entities, compare the accounting principles used to those used in the preparation of previous historical financial statements and inquire whether such principles are the same as those expected to be used in the historical financial statements covering the prospective period.

- (2) For entities to be formed or entities already formed that have not commenced operations, compare specialized industry accounting principles used, if any, to those typically used in the industry. Inquire about

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<p>whether the accounting principles used for the prospective financial information are those that are expected to be used when or if the entity commences operations.</p> <p><i>b.</i> Inquire about how the responsible party identifies the key factors and develops its assumptions.</p> <p><i>c.</i> List, or obtain a list, of the responsible party's significant assumptions providing the basis for the prospective financial information and consider whether there are any obvious omissions in light of the key factors upon which the prospective results of the entity appear to depend.</p> <p><i>d.</i> Consider whether there appear to be any obvious internal inconsistencies in the assumptions.</p> <p><i>e.</i> Consider whether the mathematical computations that translate the</p>		

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<p>assumptions into the prospective financial information are appropriate.</p> <p><i>f.</i> Read the prospective financial information, including the summary of significant assumptions, and consider whether</p> <ul style="list-style-type: none"> (1) the prospective financial information, including the disclosures of assumptions and accounting policies, appears to be presented in conformity with the AICPA presentation guidelines for prospective financial information (Ref: par. A7). (2) the prospective financial information, including the summary of significant assumptions, appears to be appropriate in relation to <ul style="list-style-type: none"> (a) the accountant’s knowledge of the 		

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<p style="text-align: center;">entity and its industry.</p> <p style="text-align: center;">(b) if the prospective financial information is a forecast, the expected conditions and course of action in the prospective period.</p> <p style="text-align: center;">(c) if the prospective financial information is a projection, the practitioner should consider whether the projection appears to be appropriate in relation to the purpose of the presentation.</p> <p style="text-align: center;">g. If a significant part of the prospective period has expired, inquire about the results of operations or significant portions of the</p>		

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<p>operations (such as sources of revenue) and significant changes in financial position, and consider their effect in relation to the prospective financial information. If historical financial statements have been prepared for the expired portion of the period, the accountant should read such statements and consider those results in relation to the prospective financial information.</p> <p><i>h.</i> Consider, after applying the preceding procedures, whether the accountant has received representations or other information that appear to be obviously inappropriate, incomplete, inconsistent, or otherwise misleading. If the accountant believes the presentation is obviously inappropriate, incomplete, inconsistent, or otherwise misleading, the accountant should attempt to obtain additional or revised information. If such information is not received, the</p>	<p>A17. The omission of disclosures, other than those relating to significant assumptions, would not require the accountant to withdraw. See paragraph 41.</p>	

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<p>accountant should withdraw from the compilation engagement. (Ref: par. A17)</p>		
<p><i>Written Representations</i></p>	<p><i>Written Representations</i> (Ref: par. 18-19)</p>	
<p>18. The accountant should obtain written representations from the responsible party for all compilations of prospective financial information. (Ref: par. A18)</p>	<p>A18. Paragraph 26 requires that the accountant obtain written representations from the responsible party for all compilations of prospective financial information. Accordingly, verbal representations are insufficient. A representation letter is the most common, and usually the most convenient, method for obtaining written representations for compilations of prospective financial information.</p>	
<p>19. The accountant should obtain representations in which the responsible party indicates its responsibility for the assumptions, including that the assumptions are reasonable. (Ref: par. A21)</p>	<p>A19. The accountant is required to obtain representations in which the responsible party indicates its responsibility for the assumptions because the amounts reflected in the prospective financial information are not supported by historical books and records but rather by assumptions.</p>	

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<p>20. The representations should be signed by the responsible party at the highest level of authority who the accountant believes is responsible for and knowledgeable, directly or through others, about matters covered by the representations.</p>		
<p>21. The date of the written representations should be as of the date of the accountant's compilation report on the prospective financial information.</p>		
<p>22. If the prospective financial information is a forecast, the representations should include</p> <ul style="list-style-type: none"> a. the responsible party's assertion that the financial forecast presents, to the best of the responsible party's knowledge and belief, the expected financial position, results of operations, and cash flows for the forecast period, and that the forecast reflects the responsible party's judgment, based on present circumstances, of the expected conditions and its expected course of action. b. If the forecast contains a range, a state- 		

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<p>ment that, to the best of the responsible party's knowledge and belief, the item or items subject to the assumption are expected to actually fall within the range, and that the range was not selected in a biased or misleading manner.</p>		
<p>23. If the prospective financial information is a projection, the representations should:</p> <ul style="list-style-type: none"> a. include the responsible party's assertion that the financial projection presents, to the best of the responsible party's knowledge and belief, the expected financial position, results of operations, and cash flows for the projection period given the hypothetical assumptions, and that the projection reflects its judgment, based on present circumstances, of the expected conditions and its expected course of action given the occurrence of the hypothetical events. b. identify the hypothetical assumptions and describe the limitations on the usefulness of the presentation. 		

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<p>c. state that the assumptions are appropriate.</p> <p>d. indicate if the hypothetical assumptions are improbable, and</p> <p>e. if the projection contains a range, include a statement that, to the best of the responsible party's knowledge and belief, given the hypothetical assumptions, the item or items subject to the assumption are expected to actually fall within the range and that the range was not selected in a biased or misleading manner.</p>		
<p>24. The representations should include a statement that the prospective financial information is presented in conformity with guidelines for presentation of prospective financial information established by the AICPA.</p>		
<p>25. If the responsible party does not provide the required written representations, the accountant should withdraw from the engagement.</p>		

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<p>The Accountant’s Compilation Report on Prospective Financial Information</p>	<p>The Accountant’s Compilation Report on Prospective Financial Information (Ref: par. 26 and 28)</p>	
<p>26. The accountant’s compilation report should be in writing and (Ref: par. A20-A21 and A24)</p> <ul style="list-style-type: none"> a. identify or describe the prospective financial information that has been subjected to the compilation engagement, including the period of time to which the prospective financial information relates b. If the prospective financial information is a forecast, include a statement that a forecast is prospective financial information that presents, to the best of the responsible party’s knowledge and belief, an entity’s expected financial position, results of operations, and cash flows, as applicable. c. If the prospective financial information is a projection, include a statement that a projection is prospective financial information that presents, to the best of the re- 	<p>A20. The requirements in paragraph 34 are also applicable to a report on a partial presentation.</p> <p>A21. The accountant’s written report may become unattached from the prospective financial information. To minimize the possibility that a user of the prospective financial information may infer an unintended level of reliance on the prospective financial information, the accountant may request that the responsible party include a reference on each page of the prospective financial information to the accountant’s written report. An example of a reference to the accountant’s written report included on each page of the prospective financial information is “See Accountant’s Report” or “See Accountant’s Compilation Report.”</p>	<p>a. is consistent with paragraph 14.01a from the Guide as well as SSARS 21</p>

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<p>sponsible party’s knowledge and belief, given one or more hypothetical assumptions, an entity’s expected financial position, results of operations, and cash flows, as applicable.</p> <p><i>d.</i> Include a statement that [<i>identify the responsible party</i>] is responsible for preparing and presenting the prospective financial information in accordance with the guidelines for presentation of prospective financial information established by the American Institute of Certified Public Accountants (AICPA).</p> <p><i>e.</i> Include a statement that the accountant performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA.</p> <p><i>f.</i> Include a statement that the accountant did not examine the prospective financial information and accordingly does not express an opinion nor provide any assurance on the prospective financial infor-</p>		<p><i>g.</i> is consistent with paragraph 14.01<i>c</i> from the Guide as well as SSARS 21 (the Guide language also states that the compilation is “lim-</p>

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<p>mation or the assumptions.</p> <p><i>g.</i> Include a statement that the forecasted or projected results may not be achieved</p> <p><i>h.</i> Include a statement that the accountant assumes no responsibility to update the report for events and circumstances occurring after the date of the report</p> <p><i>i.</i> Include the signature of the accountant or the accountant’s firm (Ref: par. A22)</p> <p><i>j.</i> Include the city and state where the accountant practices (Ref: par. A23)</p> <p><i>k.</i> Include the date of the report, which should be the date that the accountant has completed the procedures required by this section</p>	<p>A22. The signature of the accountant or the accountant’s firm may be manual, printed, or digital, as appropriate.</p> <p>A23. The city and state where the accountant practices may be indicated on letterhead that contains the issuing office’s city and state.</p> <p>A24. Illustrative examples of accountant’s compilation reports are presented in exhibit C, “Illustrative Examples of Accountant’s Compilation Reports on Prospective Financial Information”.</p>	<p>ited in scope”).</p> <p><i>h.</i> Is consistent with paragraph 14.01<i>d</i> of the Guide</p> <p><i>i</i> Is consistent with paragraph 14.01<i>e</i> of the Guide</p> <p><i>j.</i> is consistent with paragraph 14.01<i>f</i> from the Guide as well as SSARS 21</p> <p><i>k.</i> is consistent with SSARS 21</p> <p><i>l.</i> is consistent with paragraphs 14.01<i>g</i> and 14.04 from the Guide as well as SSARS 21</p>
<p>27. In addition to the required elements in paragraph 26, an accountant’s compilation report on a financial projection should include a statement</p>		<p>From paragraph 14.01P of the Guide.</p>

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describing the special purpose for which the projection was prepared as well as a separate paragraph that restricts the use of the report solely to the specified parties.		
28. When the prospective financial statements contain a range, the accountant’s compilation report should include a separate paragraph that states that the responsible party has elected to portray the expected results of one or more assumptions as a range.		From paragraph 14.03 of the Guide.
Reporting When the Accountant is Not Independent	Reporting When the Accountant is Not Independent (Ref: par. 29)	
29. When the accountant is not independent with respect to the entity, the accountant should indicate the accountant’s lack of independence in a final paragraph of the accountant’s compilation report. (Ref: par. A25-A26)	<p>.A25 An example of a disclosure that an accountant may make to indicate the accountant’s lack of independence would be</p> <p style="padding-left: 40px;">I am (We are) not independent with respect to XYZ Company.</p> <p>.A26 The accountant is not precluded from disclosing a description about the rea-</p>	Consistent with paragraph 14.05 of the Guide and SSARS 21.

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son(s) that the accountant's independence is impaired. The following are examples of descriptions the accountant may use:

- I am (We are) not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because I (a member of the engagement team) had a direct financial interest in XYZ Company.
- I am (We are) not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because an individual of my immediate family (an immediate family member of one of the members of the engagement team) was employed by XYZ Company.
- I am (We are) not independ-

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	ent with respect to XYZ Company as of and for the year ended December 31, 20XX, because I (we) performed certain accounting services (the accountant may include a specific description of those services) that impaired my (our) independence.	
<p>30. If the accountant elects to disclose a description about the reasons the accountant’s independence is impaired, the accountant should include all such reasons in the description.</p>		Consistent with paragraph 14.05 of the Guide and SSARS 21.
Modifications of the Standard Accountant’s Compilation Report	Modifications of the Standard Accountant’s Compilation Report	
<i>Presentation Deficiencies or Omitted Disclosures</i>	<i>Presentation Deficiencies or Omitted Disclosures</i> (Ref: par. 31)	
<p>31. The accountant may perform a compilation on prospective financial information that con-</p>	<p>A27. An example of a paragraph that may be added to an accountant’s compilation report on</p>	Consistent with paragraph 14.09 of the Guide.

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<p>tains presentation deficiencies or omits disclosures other than those relating to significant assumptions provided the deficiency or omission is clearly indicated in the accountant’s report and is not, to the accountant’s knowledge, undertaken with the intention of misleading those who might reasonably be expected to use the prospective financial information. (Ref: par. A27)</p>	<p>a financial forecast in which the summary of significant accounting policies has been omitted is as follows:</p> <p style="padding-left: 40px;">[Identify the responsible party] has elected to omit the summary of significant accounting policies required by guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the forecast, they might influence the users’ conclusions about the Company’s financial position, results of operations, changes in stockholders’ equity, and cash flows for the forecast period. Accordingly, this forecast is not designed for those who are not informed about such matters.</p>	
<p>32. If the financial statements underlying the prospective financial information is presented in accordance with a special purpose framework and does not include disclosure of financial accounting framework used, the financial accounting framework should be disclosed in the accountant’s compilation report.</p>		<p>Consistent with paragraph 14.10 of the Guide.</p>

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<i>Reporting If the Financial Forecast Includes Disclosures About Periods Beyond the Forecast Period</i>		
<p>33. If the financial forecast contains disclosures about plans, events, or circumstances beyond the forecast period and the accountant concludes, on the basis of known facts, that the disclosures are obviously inappropriate, incomplete, inconsistent, or otherwise misleading given their purpose, or the disclosures are not presented in accordance with the guidelines for presentation of a financial forecast, the accountant should discuss the matter with the responsible party and propose appropriate revision of the disclosures.</p>		
<p>34. If the responsible party will not agree to revision of the disclosures, the accountant should either</p> <ul style="list-style-type: none"> a. Modify the report on the financial forecast or b. Withdraw from the engagement. 		

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Partial Presentations	Partial Presentations (Ref: par. 35)	
<p>35. When performing a compilation on 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. A28-A29)</p>	<p>A28. Chapter 23 of the Guide addresses partial presentations.</p> <p>A29. The accountant’s procedures on a partial presentation may be affected by the nature of the information presented. Many elements of prospective financial information are interrelated. The accountant may find it necessary for the scope of a compilation of some partial presentations to be similar to that for a compilation of a presentation of prospective financial statements. For example, the scope of the accountant’s procedures when the accountant performs a compilation on forecasted results of operations (a partial presentation) would likely be similar to that of procedures used for the compilation of prospective financial statements because the accountant would mostly need to consider the interrelationships of all accounts in the compilation of results of operations.</p>	
<p>36. Because partial presentations are generally appropriate only for limited use, compilation re-</p>		

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ports on partial presentations of both forecasted and projected financial information should include a description of any limitations on the usefulness of the presentation.		
Documentation	Documentation	
<p>37. The accountant should prepare documentation in connection with each compilation of prospective financial information in sufficient detail to provide a clear understanding of the work performed which, at a minimum, includes the following: (Ref: par. A30)</p> <ul style="list-style-type: none"> a. The engagement letter or other suitable form of written documentation with the responsible party, as described in paragraphs 13-15 b. The list of the responsible party’s significant assumptions providing the basis for the prospective financial information as described in paragraph 17c. c. A copy of the written representations 	<p>A30. Documentation may include documentation regarding significant consultations or significant professional judgments made throughout the engagement.</p>	

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<p style="text-align: center;">as required by paragraphs 18-25</p> <p><i>d.</i> A copy of the prospective financial information</p> <p><i>e.</i> A copy of the accountant’s report</p>		

.A31

Exhibit A—Illustrative Engagement Letters (Ref: par. .A16)

Illustration 1—An Engagement Letter for a Compilation of a Financial Forecast

Illustration 2—An Engagement Letter for a Compilation of a Financial Projection

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 a Compilation of a Financial Forecast

Circumstances include the following:

- The accountant will prepare, as a nonattest service, the financial forecast subject to the compilation engagement
- The accountant expects that his or her independence will not be impaired

- Management is the responsible party.

To the appropriate representative of ABC Company:¹

You² have requested that we prepare 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 and perform a compilation engagement with respect to that financial forecast. 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

- a. prepare the financial forecast in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants based on your assumptions¹ and
- b. apply accounting and financial reporting expertise to assist you in the presentation of the financial forecast and report without undertaking to obtain or provide any assurance
 - i. that there are no material modifications that should be made to the financial forecast in order for it to be in presented in accordance with AICPA presentation guidelines or

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

² 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.

¹ 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 prepare the summarized financial forecast in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants based on your assumptions...”

ii. on the assumptions underlying the financial forecast

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.

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 prepare the financial forecast in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants and assist you in the presentation of the financial forecast. Management has the following overall responsibilities that are fundamental to our undertaking the engagement 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
- 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,

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- iv. Unrestricted access to persons within ABC Company of whom we determine necessary to communicate, and
- v. At the conclusion of the engagement, a letter that includes:
 - 1. A confirmation of management’s responsibility for the underlying assumptions
 - 2. A confirmation of management’s assertion that the financial forecast presents, to the best of management’s knowledge and belief, the expected financial position, results of operations, and cash flows for the forecast period and that the forecast reflects management’s judgment, based on present circumstances, of the expected conditions and its expected course of action
 - 3. [If the forecast contains a range, a statement that, to the best of management’s knowledge and belief, the item or items subject to the assumption are expected to actually fall within the range, and that the range was not selected in a biased or misleading manner.]
 - 4. A statement that the forecast is presented in conformity with guidelines for presentation of a forecast established by the AICPA.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial forecast. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report

As part of our engagement, we will issue a report that will state that we did not examine the financial forecast and that, accordingly, we do not express an opinion nor provide any assurance on it. Our report will also state that there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

We have no responsibility to update our report for events and circumstances occurring after the date of such report.

If the assumptions provided by management are inappropriate and are not revised to our satisfaction, we will be unable to complete our engagement, and accordingly, we will not issue a report on the forecast.

If management intends to reproduce and publish the forecast and our report thereon, they must be reproduced in their entirety, and both the first and subsequent, corrected drafts of the document containing the forecast and any accompanying material must be submitted to us for approval.

Other Relevant Information

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 prepare the financial forecast described herein and to perform a compilation engagement with respect to that same financial forecast, 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 a Compilation of a Financial Projection

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Circumstances include the following:

- The accountant will prepare, as a nonattest service, the financial projection subject to the compilation engagement
- The accountant expects that his or her independence will not be impaired
- Management is the responsible party.

To the appropriate representative of ABC Company:¹

You² have requested that we prepare 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 and perform a compilation engagement with respect to that financial projection. 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

- a. prepare the financial projection in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants based your assumptions and

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

² 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.

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- b. apply accounting and financial reporting expertise to assist you in the presentation of the financial projection and report without undertaking to obtain or provide any assurance
 - i. that there are no material modifications that should be made to the financial projection in order for it to be presented in accordance with AICPA presentation guidelines or
 - ii. on the assumptions underlying the financial projection

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.

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 prepare the financial projection in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants and to assist you in the presentation of the financial projection. Management has the following overall responsibilities that are fundamental to our undertaking the engagement 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 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

- e. To provide us with:
- i. Assumptions that are appropriate for the projection,
 - ii. Documentation, and other related information that is relevant to the preparation and presentation of the financial projection,
 - iii. Additional information that may be requested for the purpose of the preparation of the financial projection,
 - iv. Unrestricted access to persons within ABC Company of whom we determine necessary to communicate, and
 - v. At the conclusion of the engagement, a letter that includes:
 1. A confirmation of management’s responsibility for the underlying assumptions
 2. A confirmation of management’s assertion that the financial projection presents, to the best of management’s knowledge and belief, the expected financial position, results of operations, and cash flows for the projection period given the hypothetical assumptions, and that the projection reflects management’s judgment, based on present circumstances, of the expected conditions and its expected course of action given the occurrence of the hypothetical events
 3. An identification of the hypothetical assumptions and a description of the limitations on the usefulness of the presentation
 4. A statement that the assumptions are appropriate
 5. An indication if the hypothetical assumptions are improbable
 6. [If the projection contains a range, a statement that, to the best of management’s knowledge and belief, given the hypothetical assumptions, the item or items subject to the assumption are expected to actually fall within the range, and that the range was not selected in a biased or misleading manner.]
 7. A statement that the projection is presented in conformity with guidelines for presentation of a projection established by the AICPA.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial projection. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report

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As part of our engagement, we will issue a report that will state that we did not examine the financial projection and that, accordingly, we do not express an opinion nor provide any assurance on it. Our report will also state that there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

We have no responsibility to update our report for events and circumstances occurring after the date of such report.

If the assumptions provided by management are inappropriate and are not revised to our satisfaction, we will be unable to complete our engagement, and accordingly, we will not issue a report on the projection.

If management intends to reproduce and publish the projection and our report thereon, they must be reproduced in their entirety, and both the first and subsequent, corrected drafts of the document containing the projection and any accompanying material must be submitted to us for approval.

Other Relevant Information

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 prepare the financial projection described herein and to perform a compilation engagement with respect to the same financial projection, 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]

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Exhibit B—Illustrative Representation Letters

Illustration 1—A Representation Letter for a Compilation of a Financial Forecast

Illustration 2—A Representation Letter for Compilation of a Financial Projection

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

Illustration 1—A Representation Letter for a Compilation of a Financial Forecast

Circumstances include the following:

- The accountant is engaged to prepare and perform a compilation engagement on a financial forecast
- Management is the responsible party.

(Entity Letterhead)

(To Accountant)

(Date)

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This representation letter is provided in connection with your compilation engagement on 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.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We represent that *[to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves] [as of (the date of the accountant’s compilation report on the financial forecast)]*:

Financial Forecast

- The financial forecast presents our assumptions and, to the best of our knowledge and belief, the Company’s expected financial position, results of operations, and cash flows for the period in conformity with accounting principles generally accepted in the United States of America expected to be used by the Company during the forecast period, which are consistent with the financial reporting framework ABC Company uses in preparing its historical financial statements. We believe that the assumptions are reasonable.
- The financial forecast reflects our judgment based on present circumstances of the expected conditions and our expected course of action.
- [If the financial forecast contains a range, to the best of our knowledge and belief, the item or items subject to the assumption are expected to actually fall within the range, and the range was not selected in a biased or misleading manner.]
- The financial forecast is presented in conformity with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants.
- We believe that the assumptions underlying the forecast are reasonable and appropriate.

Information Provided

- We have made available to you all significant information that we believe is relevant to the forecast.
- To the best of our knowledge and belief, the documents and records supporting the assumptions are appropriate.

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[Any other matters that the accountant may consider necessary.]

[Name of Chief Executive Officer and Title]

[Name of Chief Financial Officer and Title]

Illustration 2—A Representation Letter for a Compilation Engagement of a Financial Projection

Circumstances include the following:

- The accountant is engaged to prepare and perform a compilation engagement on a financial projection
- Management is the responsible party.

(Entity Letterhead)

(To Accountant)

(Date)

This representation letter is provided in connection with your compilation engagement on 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.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We represent that *[to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves] [as of (the date of the accountant’s compilation report on the financial projection)]*:

Financial Projection

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- The financial projection presents our assumptions and, to the best of our knowledge and belief, the Company’s expected financial position, results of operations, and cash flows for the projection assuming [*describe the hypothetical assumptions*]. We believe that the assumptions are reasonable.
- The accounting principles used in the financial projection are in conformity with accounting principles generally accepted in the United States of America expected to be used by the Company during the projection period, which are consistent with the principles ABC Company uses in preparing its historical financial statements.
- The financial projection reflects our judgment based on present circumstances of the expected conditions and our expected course of action assuming [*describe hypothetical assumptions*].²
- [If the financial projection contains a range, to the best of our knowledge and belief, given [*describe the hypothetical assumptions*], the item or items subject to the assumption are expected to actually fall within the range, and the range was not selected in a biased or misleading manner.]
- The financial projection is presented in conformity with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants.
- We believe that the assumptions underlying the projection are reasonable and appropriate assuming [*describe the hypothetical assumptions*].

Information Provided

- We have made available to you all significant information that we believe is relevant to the projection.
- To the best of our knowledge and belief, the documents and records supporting the assumptions are appropriate.

Intended Use of the Projection

- We intend to use this projection only for [*describe intended limited use*].

² If the hypothetical assumption is considered improbable, the representations may state “assuming [*describe hypothetical assumptions*], which we consider to be highly unlikely.”

[Any other matters that the accountant may consider necessary.]

[Name of Chief Executive Officer and Title]

[Name of Chief Financial Officer and Title]

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Exhibit C—Illustrative Examples of Accountant’s Compilation Reports on Prospective Financial Information

Illustration 1—An Accountant’s Compilation Report on a Forecast That Does Not Contain A Range

Illustration 2— An Accountant’s Compilation Report on a Projection That Does Not Contain A Range

Illustration 3 – An Accountant’s Compilation Report on a Forecast in Which the Summary of Significant Accounting Policies Has Been Omitted

Illustration 4 – An Accountant’s Compilation Report on a Financial Forecast Supplemented by a Financial Projection

The illustrative accountant’s compilation reports on prospective financial statements 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 accountant’s compilation report will vary according to individual requirements and circumstances.

The illustrative accountant’s compilation reports provided in this exhibit are appropriate whether the presentation is based on accounting principles generally accepted in the United States of America or another financial reporting framework. The illustrations assume that management is the responsible party.

Illustration 1—An Accountant’s Compilation Report on a Forecast That Does Not Contain A Range

The accompanying forecasted financial information of XYZ Company, which comprise the forecasted balance sheet as of December 31, 20X1 and the related forecasted statements of income, changes in stockholders’ equity, and cash flows for the year then ending, and the related notes to the forecasted financial statements present, to the best of management’s knowledge and belief, the Company’s expected financial position, results of operations, and cash flows. Management is responsible for preparing and presenting the forecast in accordance with the guidelines for presentation of a

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financial forecast established by the American Institute of Certified Public Accountants (AICPA). I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (We) did not examine the forecasted financial information and accordingly I (we) do not express an opinion nor provide any form of assurance on this forecasted financial information or the assumptions underlying the forecast. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

[Signature of accounting firm or accountant, as appropriate]

[Accountant’s city and state]

[Date of the accountant’s report]

Illustration 2— An Accountant’s Compilation Report on a Projection That Does Not Contain A Range

The accompanying projected financial information of XYZ Company, which comprise the projected balance sheet as of December 31, 20X1 and the related projected statements of income, changes in stockholders’ equity, and cash flows for the year then ending, and the related notes to the projected financial statements was prepared for *[state special purpose, for example, “the purpose of negotiating a loan to expand XYZ Company’s plant”]*. The accompany projection presents, to the best of management’s knowledge and belief assuming *[describe the hypothetical assumption, for example, “the loan is granted and the plant is expanded”]*, the Company’s expected financial position, results of operations, and cash flows. Management is responsible for preparing and presenting the projection in accordance with the guidelines for presentation of a financial projection established by the American Institute of Certified Public Accountants (AICPA). I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (We) did not examine the projected financial information and accordingly I (we) do not express an opinion nor provide any form of assurance on this projected financial information or the assumptions underlying the projection. Furthermore, even if *[describe hypothetical assumption, for example, “the loan is granted and the plant is expanded”]* there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projection and this report are intended solely for the information and use of *[identify specified parties, for example, “XYZ Company and DEF Bank”]* and are not intended to be and should not be used by anyone other than these specified parties.

[Signature of accounting firm or accountant, as appropriate]

[Accountant’s city and state]

[Date of the accountant’s report]

Illustration 3 – An Accountant’s Compilation Report on a Forecast in Which the Summary of Significant Accounting Policies Has Been Omitted

The accompanying forecasted financial information of XYZ Company, which comprise the forecasted balance sheet as of December 31, 20X1 and the related forecasted statements of income, changes in stockholders’ equity, and cash flows for the year then ending, and the related notes to the forecasted financial information present, to the best of management’s knowledge and belief, the Company’s expected financial position, results of operations, and cash flows. Management is responsible for preparing and presenting the forecast in accordance with the guidelines for presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (We) did not examine the forecasted financial information and accordingly I (we) do not express an opinion nor provide any form of assurance on this forecasted financial information or the assumptions underlying the forecast. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

[Signature of accounting firm or accountant, as appropriate]

[Accountant’s city and state]

[Date of the accountant’s report]

Illustration 4 – An Accountant’s Compilation Report on a Financial Forecast Supplemented by a Financial Projection

The accompanying forecasted financial information of XYZ Company, which comprise the forecasted balance sheet as of December 31, 20X1 and the related forecasted statements of income, changes in stockholders’ equity, and cash flows for the year then ending, and the related notes to the forecasted financial information (the forecast), and the accompanying projected statement of the effect on the limited partners of the projected sale of

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property at December 31, 20X1 (the projection) present, to the best of management’s knowledge and belief, the Company’s expected financial position, results of operations, and cash flows. Management is responsible for preparing and presenting the forecast and projection in accordance with the guidelines for presentation of a financial forecast and projection established by the American Institute of Certified Public Accountants (AICPA). I (We) have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (We) did not examine the forecast or the projection and accordingly I (we) do not express an opinion nor provide any form of assurance on the forecast or the projection or the assumptions underlying the forecast or the projection. Furthermore, there will usually be differences between the forecasted and actual results, and even if the properties are sold on the date and for the prices indicated, there will usually be differences between projected and actual results, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projection was prepared by management to provide potential investors with information about the effect of a hypothetical sale of the properties as of December 31, 20X1, and should not be considered a presentation of expected future results.

[Signature of accounting firm or accountant, as appropriate]

[Accountant’s city and state]

[Date of the accountant’s report]