

Agenda Item 3



Proposed Revisions to SSARS 21

Objective of Agenda Item

To discuss issues related to the proposed revisions to SSARS 21 and vote to expose the proposed revisions for public comment.

Background

SSARS 21 was issued in October 2014. The standard is formatted into four separate sections:

- Section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services.*
- Section 70, *Preparation of Financial Statements*
- Section 80, *Compilation Engagements*
- Section 90, *Review of Financial Statements*

The above referenced sections are codified with the prefix AR-C.

AR-C section 60 replaces AR section 60, *Framework for Performing and Reporting on Compilation and Review Engagements* and applies to all engagements performed in accordance with SSARSs. In addition to complying with the AR-C section applicable to the specific engagement, the accountant must comply with AR-C section 60.

AR-C section 60 includes requirements and guidance with respect to:

- Ethical requirements
- Professional judgment
- Conduct of the engagement in accordance with SSARSs
- Engagement level quality control
- Acceptance and continuance of client relationships and engagements

Revisions to SSARS 21
Discussion Memorandum
ARSC Meeting, April 28-30, 2015

When SSARS 21 was issued, it was the intent of the ARSC that AR-C section 60 would apply to assembly and compilation of prospective financial information. However, as the PFI Task Force developed the proposed standards, it determined that certain revisions needed to be made to AR-C section 60 so that, while it did not lose its applicability to engagements on historical financial statements, it was flexible and could be easily applied to engagements on PFI as well as pro forma financial information.

The proposed revisions also include some minor clarifying points that are intended to address some areas of confusion that were brought to the attention of the Audit and Attest Standards staff.

Proposed Revisions to AR-C section 60 (General Principles)

Note that the draft revisions included in Agenda item 3A include the entirety of section 60 (including those paragraphs that are not revised) for ease of readability.

Action Requested of the ARSC

The ARSC is asked to whether it agrees with the proposed revisions intended to make AR-C section 60 work for engagements other than engagements on historical financial statements.

Proposed Revisions to AR-C section 70 (Preparation)

Paragraphs .01 and .A1 of AR-C section 70 are revised to exclude the preparation of prospective financial information as an example of other financial information to which AR-C section 70 may be applied as the proposed SSARS, *Assembly of Prospective Financial Information* would cover such services.

In addition a new application paragraph has been added to make clear that the signatures required by paragraph .11 of AR-C section 70 may be manual, printed, or digital (consistent with the requirement regarding accountant's compilation or review reports). The revision is in response to questions received by AICPA staff and others with respect to how to adhere to the requirement to obtain an engagement letter signed by both the accountant and management.

Finally, paragraph 14 of AR-C section 70 is revised to state, that in the situation where the accountant is unable to include the "no assurance" legend on each page of the financial statements that the accountant has prepared, that the accountant may:

- Issue a disclaimer that makes clear that no assurance is provided on the financial statements or
- perform an audit, review, or compilation of the financial statements (SSARS 21 just provided the option of the compilation).

Action Requested of the ARSC

The ARSC is asked to whether it agrees with the proposed revisions to AR-C section 70.

Proposed Revisions to AR-C section 80 (Compilation)

The title to AR-C section 70 is revised so that it runs to Compilation of Financial Statements. This is consistent with the title of section 90 (Reviews of Financial Statements). The title of the section in SSARS 70 is “Compilation Engagements” because the ARSC had planned for the compilation of prospective financial information to be included in the section. However, when preparing the draft SSARS on compilation of PFI, the Task Force determined that a compilation of PFI is much different than a compilation of financial statements and should be included in a separate section so as to not be confusing to accountants using the standards.

Similar to the revision to AR-C section 70, paragraphs .01 and .A1 of AR-C section 80 are revised so that the section does not apply to compilations of prospective financial information. The proposed SSARS, *Compilation of Prospective Financial Information* would cover such engagements.

Also similar to the revision to AR-C section 70, a new application paragraph has been added to make clear that the signatures required by paragraph .11 of AR-C section 80 may be manual, printed, or digital.

Action Requested of the ARSC

The ARSC is asked to whether it agrees with the proposed revisions to AR-C section 80.

Proposed Revisions to AR-C section 90 (Review)

Similar to the revisions to AR-C sections 70 and 80, a new application paragraph has been added to make clear that the signatures required by paragraph .12 of AR-C section 90 may be manual, printed, or digital.

In addition, paragraph 39g is revised to indicate that the accounting firm’s signature on the accountant’s review report may be digital (in addition to manual or printed).

Action Requested of the ARSC

The ARSC is asked to whether it agrees with the proposed revisions to AR-C section 90.

Overall Action Item

Action Requested of the ARSC

Revisions to SSARS 21
Discussion Memorandum
ARSC Meeting, April 28-30, 2015

The ARSC is asked to consider the draft of the proposed revisions to SSARS 21 and vote to expose the revisions for public comment.

Agenda Items Presented:

Agenda item 3A Proposed amendments to SSARS 21