

AR Section 9400

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

1. Reports on the Application of Accounting Principles

.01 Question—Section 400, *Communications Between Predecessor and Successor Accountants*, provides guidance on communication between a successor accountant and a predecessor accountant. The guidance provided concerns only the situation in which one accountant succeeds another in a compilation or review engagement.

.02 In other situations, an accountant in public practice may be requested by an entity that has not engaged that accountant to report on its financial statements to provide advice about the application of accounting principles or about the type of report to be issued on its financial statements (compilation, review, or audit report). Such requests are often made to obtain a second opinion about these matters from another accountant. What guidance should be followed by the accountant who is requested to provide advice on these matters?

.03 Interpretation—AU-C section 915, *Reports on Application of Requirements of an Applicable Financial Reporting Framework*, addresses the reporting accountant's responsibilities when requested to issue a written report on the application of the requirements of an applicable financial reporting framework to a specific transaction or the type of report that may be issued on a specific entity's financial statements.

.04 AU-C section 915 also applies to oral advice provided by the reporting accountant that the reporting accountant concludes is intended to be used by a principal to the transaction as an important factor considered in reaching a decision on the application of the requirements of an applicable financial reporting framework to a specific transaction or on the type of report that may be issued on a specific entity's financial statements.

.05 Paragraph .13 of AU-C section 915 states that the reporting accountant should consult with the continuing accountant to determine whether the reporting accountant has obtained the available facts relevant to form a conclusion. The reporting accountant should follow AU-C section 915 for such engagements.

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