

Supplement

SSARS No. 22: COMPILATION OF PRO FORMA FINANCIAL INFORMATION

This supplement is nonauthoritative and is included for informational purposes only.

INTRODUCTION

Issuance

In September 2016, the Accounting and Review Services Committee (ARSC) issued Statement on Standards for Accounting and Review Services (SSARS) No. 22, *Compilation of Pro Forma Financial Information* (AICPA, *Professional Standards*, AR-C sec. 120). This standard revises AR section 120, *Compilation of Pro Forma Financial Information*, by putting requirements and guidance in clarity format. The clarified standards are designed to make the standards easier to read, understand, and apply.

Scope of This Section

This section contains performance and reporting requirements and application guidance for accountants engaged to perform a compilation engagement on pro forma financial information.

Effective Date

SSARS No. 22 is effective for compilation reports on pro forma financial information dated on or after May 1, 2017.

OBJECTIVE

The objective of the accountant in a compilation of pro forma financial information is to apply accounting and financial reporting expertise to assist management in the presentation of pro forma financial information and report in accordance with this section without undertaking to obtain or provide any assurance on the pro forma financial information.

DEFINITION

Pro forma financial information. A presentation that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date.

REQUIREMENTS

General Principles for Compilations of Pro Forma Financial Information

An accountant is also required to comply with AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services* (AICPA, *Professional Standards*), in addition to SSARS No. 22.

Independence

The accountant must determine whether the accountant is independent of the entity in a compilation of pro forma financial information engagement.

Acceptance and Continuance of Client Relationships

In addition to the requirements in paragraph .25 of AR-C section 60, SSARS No. 22 requires the accountant to obtain the agreement of management that it acknowledges and understands its additional responsibilities regarding the compilation of pro forma financial information. See paragraphs 7a–7f of SSARS No. 22.

Agreement on Engagement Terms

The accountant should agree upon the terms of the engagement with management or those charged with governance, as appropriate. The agreed-upon terms of the engagement should be documented in an engagement letter or other suitable form of written agreement between the parties and should include the following:

- a. The objectives of the engagement
- b. The responsibilities of management set forth in paragraph .25c of AR-C section 60 and paragraph 7 of SSARS No. 22
- c. The responsibilities of the accountant
- d. The limitations of the compilation engagement
- e. Identification of the applicable financial reporting framework for the preparation of the pro forma financial information
- f. The expected form and content of the accountant's compilation report and a statement that there may be circumstances in which the report may differ from its expected form and content

The engagement letter or other suitable form of written agreement should be signed by the accountant or the accountant's firm, and management or those charged with governance, as appropriate.

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework

The accountant should obtain an understanding of the applicable financial reporting framework and the significant accounting policies intended to be used in the preparation of the pro forma financial information, including those of the significant constituent part of the combined entity, if applicable.

Compilation Procedures

In performing a compilation of pro forma financial information, the accountant should (a) comply with the requirements set forth in paragraphs .13–.16 of AR-C section 80, *Compilation Engagements* (AICPA, *Professional Standards*), (b) obtain an understanding of the underlying transaction or event, and (c) ascertain that management has fulfilled its agreement pursuant to paragraph 7b–7d of SSARS No. 22.

The Accountant's Compilation Report on Pro Forma Financial Information

In addition to requirements set forth in paragraphs .17–.31 of AR-C section 80, an accountant's compilation report on pro forma financial information should include the following:

- a.* A reference to the financial statements from which the historical financial information is derived and a statement as to whether such financial statements were subjected to an audit, a review, or a compilation engagement
- b.* A reference to any modification of the audit, review, or compilation report on the historical financial information
- c.* A description of the nature and limitations of pro forma financial information

Documentation

The accountant should prepare documentation in connection with each compilation of pro forma financial information in sufficient detail to provide a clear understanding of the work performed, which, at a minimum, includes the following:

- a.* The engagement letter or other suitable form of written documentation with management
- b.* The results of procedures performed
- c.* A copy of the pro forma financial information
- d.* A copy of the accountant's compilation report

For a full text the SSARS No. 22, please visit

www.aicpa.org/Research/Standards/CompilationReview/DownloadableDocuments/SSARS_22.pdf.

