



## Agenda Item 3H

### Proposed Chapter 6, “Reporting on Pro Forma Financial Information,” of the Clarified Attestation Standards (Clarified AT 401) January 12, 2015 Draft Marked from the January 24, 2014 Exposure Draft

Chapter 6, Reporting on Pro Forma Financial Information	
Introduction, Effective Date, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Introduction</b></p> <p><b>6.1</b> This chapter of Statements on Standards for Attestation Engagements (SSAEs, or attestation standards) contains performance and reporting requirements and application guidance for practitioners examining or reviewing pro forma financial information. Chapter 1, “Concepts Common to All Attestation Engagements,” and <u>chapter 2, “Examination Engagements,” are applicable when a practitioner is examining pro forma financial information. Chapter 1 and chapter 3, “Review Engagements,” are applicable when a practitioner is reviewing pro forma financial information.</u> <del>chapter 4, “Agreed-Upon Procedures Engagements” of the attestation standards are applicable when a practitioner is performing an agreed-upon procedures engagement related to pro forma financial information.</del></p>	
<p><b>6.2</b> This chapter does not apply when</p> <ul style="list-style-type: none"> <li><u>a practitioner is performing agreed-upon procedures related to pro forma financial information. Chapter 1 and chapter 4, “Agreed-Upon Procedures Engagements” are applicable to such engagements.</u></li> <li>certain requesting parties request a comfort letter or ask a practitioner to perform procedures on pro forma financial information in connection with an offering. AU-C section 920,</li> </ul>	

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<p><i>Letters for Underwriters and Certain Other Requesting Parties</i>, is applicable to such engagements.</p> <ul style="list-style-type: none"> <li>• pro forma financial information is presented outside the basic financial statements but within the same document, and the practitioner is not engaged to report on the pro forma financial information. AU-C section 720, <i>Other Information in Documents Containing Audited Financial Statements</i>, and AU-C section 925, <i>Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933</i>, may be applicable to such engagements.<sup>1</sup></li> <li>• for purposes of a more meaningful presentation, a transaction consummated after the balance-sheet date is reflected in the historical financial statements (such as a revision of debt maturities or a revision of earnings per share calculations for a stock split).</li> <li>• the applicable financial reporting framework requires the presentation of pro forma financial information in the financial statements or the accompanying notes. For example, generally accepted accounting principles require pro forma financial information in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 805, <i>Business Combinations</i>; FASB ASC 250, <i>Accounting Changes and Error Corrections</i>; or, in some cases, pro forma financial information relating to subsequent events.</li> </ul>	
<p><b>Effective Date</b></p> <p><b>6.3</b> This chapter is effective for examination and review reports on pro</p>	

<sup>1</sup> Paragraph 58 of AU-C 700, *Forming an Opinion and Reporting on Financial Statements*.

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<p>forma financial information dated on or after <del>[date]</del> <u>December 15, 2016</u>.</p>	
<p><b>Objectives</b></p> <p><b>6.4</b> In an examination of pro forma financial information, the objectives of the practitioner are to</p> <ul style="list-style-type: none"> <li>a. obtain reasonable assurance about whether                             <ul style="list-style-type: none"> <li>i. management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event). (Ref: par. 6.A1)</li> <li>ii. the related pro forma adjustments give appropriate effect to those assumptions.</li> <li>iii. the pro forma information reflects the proper application of those adjustments to the historical financial statements.</li> </ul> </li> <li>b. express an opinion in a written report on the matters in 6.4a</li> </ul>	<p><b>Objectives</b></p> <p><b>6.A1</b> For the purposes of this chapter, the responsible party is management of the entity for which the practitioner is reporting on pro forma financial information. (Ref: par. 6.4a[i])</p>
<p><b>6.5</b> In a review of pro forma financial information, the objectives of the practitioner are to</p> <ul style="list-style-type: none"> <li>a. obtain limited assurance about whether any material modifications should be made to                             <ul style="list-style-type: none"> <li>i. management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event).</li> <li>ii. the related pro forma adjustments in order for them to give appropriate effect to those assumptions.</li> </ul> </li> </ul>	

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<p>iii. the pro forma information in order for it to reflect the proper application of those adjustments to the historical financial statements.</p> <p>b. express a conclusion in a written report on the matters in 6.5a.</p>	
<b>Definitions</b>	<b>Definitions</b>
<p><b>6.6</b> For the purposes of this chapter, the following definitions apply:</p> <p>a. <b>Criteria for the preparation of pro forma financial information.</b> The basis disclosed in the pro forma financial information that management used to develop the pro forma financial information, including <u>the assumptions underlying the pro forma financial information</u>. Paragraph 6.10 contains the <u>attributes of suitable criteria for an examination or review of pro forma financial information</u>.</p> <p>b. <b>Pro forma financial information.</b> 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. <del>Pro forma financial information is commonly used to show the effects of transactions such as the following:</del></p> <ul style="list-style-type: none"> <li><del>• Business combination</del></li> <li><del>• Change in capitalization</del></li> <li><del>• Disposition of a significant portion of the business</del></li> <li><del>• Change in the form of business organization or status as an autonomous entity</del></li> </ul>	<p><b>6.A2</b> Pro forma financial information is developed by applying pro forma adjustments to historical financial information. Appropriate pro forma adjustments are based on management's assumptions, give effect to all significant effects directly attributable to the transaction (or event), and are stated on a basis consistent with the financial reporting framework of the reporting entity and its accounting policies under that framework. (Ref: par. 6.6b)</p> <p><u><b>6.A3</b> Pro forma financial information is commonly used to show the effects of transactions such as the following:</u></p> <ul style="list-style-type: none"> <li><u>• Business combination</u></li> <li><u>• Change in capitalization</u></li> <li><u>• Disposition of a significant portion of the business</u></li> <li><u>• Change in the form of business organization or status as an autonomous entity</u></li> <li><u>• Proposed sale of securities and the application of the proceeds (Ref: par. 6.6b)</u></li> </ul>

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<ul style="list-style-type: none"> <li>• <del>Proposed sale of securities and the application of the proceeds</del></li> </ul> <p>(Ref: par. <del>6.A2-6.A4</del> 6.A36.A2–6.A5)</p>	<p><del>6.A36.A4</del> Adequately disclosed pro forma financial information</p> <ul style="list-style-type: none"> <li>• is labeled as such to distinguish it from historical financial information.</li> <li>• describes the transaction (or event) that is reflected in the pro forma financial information, the date on which the transaction (or event) is assumed to occur, the financial reporting framework of the historical financial statements, the source of the historical financial information on which it is based, the significant assumptions used to develop the pro forma adjustments, and any significant uncertainties about those assumptions.</li> <li>• indicates that the pro forma financial information should be read in conjunction with related historical financial information and that the pro forma financial information is not necessarily indicative of the results (such as financial position and results of operations, as applicable) that would have been attained had the transaction (or event) actually taken place earlier. (Ref: par. 6.6b)</li> </ul> <p><del>6.A46.A5</del> Article 11 of Regulation S-X provides further guidance on the presentation of pro forma financial information included in filings with the Securities and Exchange Commission (SEC). (Ref: par. 6.6b)</p>
<b>Requirements</b>	
<p><b>6.7</b> In addition to complying with this chapter <del>of the attestation standards,</del> a practitioner is required to comply with chapter 1 <del>of the attestation standards,</del> “Concepts Common to All Attestation Engagements,” and either chapter 2, “Examination Engagements,” for examinations of pro forma financial information, or chapter 3, “Review Engagements,” for reviews of pro forma financial information. In some</p>	

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<p>cases, this chapter repeats or refers to requirements found in chapters 1, <u>2, and</u> 3 when describing those requirements in the context of an examination or review of pro forma financial information. Although not all of the requirements in chapters 1, <u>2, and</u> 3 are repeated or referred to in this chapter, the practitioner is <u>responsible for</u> <del>required to</del> complying with all of the requirements in chapters 1 <u>and 2 or 1 and</u> 3, as applicable.</p>	
<p><b><u>Requirements</u></b></p>	
<p><b>Preconditions for an Examination or Review of Pro Forma Financial Information</b></p> <p><b>6.8</b> <del>6-8</del> In order to accept an attestation engagement to examine or review pro forma financial information, in addition to the preconditions for an attestation engagement included in chapter 1, “Concepts Common to All Attestation Engagements,” of the attestation standards, the practitioner<sup>2</sup></p>	<p><b>Preconditions for an Examination or Review of Pro Forma Financial Information</b></p>
<p>a. should determine that the document that contains the pro forma financial information includes historical financial statements of the entity for the most recent year (or for the preceding year if financial statements for the most recent year are not yet available) or that such financial statements are readily available and, if pro forma financial information is presented for an interim period, the document also either includes historical interim financial information for that period (which may be presented in condensed form) or such interim information is readily available. In the case of a business combination, the document includes the relevant historical financial information for the significant constituent parts of the combined entity. (Ref: par. <del>6.A5</del> 6.A6)</p>	<p><del>6.A56.A6</del> <u>6.A5</u> For pro forma financial information included in an SEC Form 8-K, historical financial information previously included in an SEC filing would meet this requirement. Interim historical financial information may be presented as a column in the pro forma financial information. (Ref: par. 6.8a)</p> <p><del>6.A66.A7</del> <u>6.A5</u> Historical <u>financial statements</u>, historical interim financial information, <u>and audit reports are</u> <del>is</del> deemed to be <i>readily available</i> if <u>they are</u> <del>it is</del> obtainable by a third party user without any further action by the entity. (For example, historical interim financial information on an entity’s website may be considered readily available, but being available upon request is not considered</p>

<sup>2</sup> Paragraphs 1.23-1.274.24-1.28 of chapter 1, “Concepts Common to all Attestation Engagements.”

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	readily available.) (Ref: par. <del>6.8a</del> 6.8b)
<p>b. should determine, <del>in the case of an examination of pro forma financial information,</del> that the historical financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) on which the pro forma financial information is based, <del>in the case of</del></p> <p style="padding-left: 20px;">i <del>an examination of pro forma financial information,</del> have been audited, or, <del>in the case of</del></p> <p style="padding-left: 20px;">ii. a review of pro forma financial information, <u>have been</u> audited or reviewed,</p> <p><u>and</u> the audit report (or the review report, if issued) is included in the document containing the pro forma financial information (or is readily available). (Ref: par. <del>6.A6</del> 6.A7- 6.A8)</p> <p>c. should <u>expect believe</u> that the practitioner will be able to obtain the understanding of the <u>accounting and financial reporting practices of each significant constituent part of the combined entity in a business combination that will enable the practitioner matters set forth in paragraph 6.12b</u> to perform the procedures necessary to report on the pro forma financial information. <u>[</u></p>	<p><del>6.A76.A8</del> <u>6.A6</u> For issuers, the review may be that as defined in AU section 722, <i>Interim Financial Information</i>, of the PCAOB's interim auditing standards (AICPA, <i>PCAOB Standards and Related Rules</i>, Interim Standards). For nonissuers, the review may be an interim or annual review as <del>described</del><u>defined</u> in AR Section <del>9060</del>, <i>Review of Financial Statements Framework for Performing and Reporting on Compilation and Review Engagements</i> (AICPA, <i>Professional Standards</i>), or an interim review as defined in AU-C section 930, <i>Interim Financial Information</i>, when the review of interim financial information meets the provisions of that section. If the review is performed under AU section 722, the review report is ordinarily not issued.<sup>3</sup> (Ref: par. 6.8b)</p>
<p><del>6.9</del> <u>6.9</u> <del>Because the practitioner's attestation risk relating to the pro forma financial information is affected by the scope of the engagement, providing the practitioner with assurance about the underlying historical financial information of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) to which the pro forma adjustments are applied, the level of service provided by the practitioner on the pro forma financial information should not exceed that provided on the related historical financial</del></p>	<p><del>6.A86.A9</del> <u>6.A7</u> If the underlying historical financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) have been audited at year-end and reviewed at an interim date, the practitioner may perform an examination or a review of the pro forma financial information at year-end, but is limited to performing a review of the pro forma financial information at the interim date.</p>

<sup>3</sup> Paragraph 4 of AR Section 90, *Review of Financial Statements* Paragraph 7 of AR Section 60, *Framework for Performing and Reporting on Compilation and Review Engagements*.

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<p>statements. <u>An examination can be performed on pro forma financial information only if the related historical financial statements were audited. A review can be performed on pro forma financial information only if the related historical financial statements were audited or reviewed.</u> <del>or,</del> in the case of a business combination, <u>the level of service provided by the practitioner on the pro forma financial information should not exceed</u> the lowest level of service provided on the underlying historical financial statements of any significant constituent part of the combined entity. (Ref: par. <del>6.A7</del> 6.A9)</p>	<p>(Ref: par. 6.9)</p>
<p><b>Assessing the Suitability of the Applicable Criteria</b></p> <p><del>6.10</del> <del>6.10</del> As required by chapter 1 of the attestation standards, the practitioner should determine whether management has used suitable criteria in preparing and presenting the pro forma financial information.<sup>4</sup> In assessing the suitability of the criteria, the practitioner should determine whether the criteria include, at a minimum, that</p> <ol style="list-style-type: none"> <li>a. the financial information be extracted from audited or reviewed historical financial statements;</li> <li>b. the pro forma adjustments be             <ol style="list-style-type: none"> <li>i. directly attributable to the event or transaction;</li> <li>ii. <u>factually suitably</u> support<del>able</del> (Ref: par. <del>6.A8</del> 6.A10);</li> <li>iii. consistent with the entity's applicable financial reporting framework and its accounting policies under that framework; and</li> </ol> </li> <li>c. the pro forma financial information be appropriately presented and include disclosures that enable intended users to understand the information conveyed.</li> </ol>	<p><b>Assessing the Suitability of the Applicable Criteria</b></p> <p><del>6.A9</del> <del>6.A10</del> <del>6.A8</del> Management is responsible for having <u>factually suitable</u> support<del>able</del> for its pro forma adjustments. The pro forma adjustments are <u>factually suitably</u> support<del>able</del> if the preponderance of the information supports each significant assumption underlying the adjustments. (Ref: par. 6.10b)</p>
<p><b>Understanding the Entity's Accounting and Financial Reporting</b></p>	<p><b>Understanding the Entity's Accounting and Financial Reporting Policies</b></p>

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<p><b>Policies</b></p> <p><b>6.11</b> <del>6.14</del> The practitioner who is reporting on the pro forma financial information should have or obtain an appropriate level of knowledge of the accounting and financial reporting practices of the entity (or in the case of a business combination, each significant constituent part of a combined entity). (Ref: par. <del>6.A9</del> 6.A11)</p>	<p><del>6.A10</del> <b>6.A11</b> <del>6.A9</del> Procedures to obtain knowledge of each constituent part of the combined entity in a business combination may include communicating with other practitioners who have audited or reviewed the historical financial information on which the pro forma financial information is based. Matters that may be considered include</p> <ul style="list-style-type: none"> <li>• accounting principles and financial reporting practices followed;</li> <li>• transactions between the entities;</li> <li>• material contingencies; and</li> <li>• relevant industry, legal and regulatory, and other external factors pertaining to the entity and any acquiree or divestee.</li> </ul> <p>(Ref: par. 6.11)</p>
<p><b>Procedures for Examination and Review Engagements</b></p> <p><b>6.12</b> <del>6.12</del> The procedures the practitioner should apply to the assumptions and pro forma adjustments for either an examination or a review engagement are as follows:</p>	<p><b>Procedures for Examination and Review Engagements</b></p>
<p>a. Obtain an understanding of the underlying transaction or event. (Ref: par. <del>6.A10</del> 6.A12)</p> <p>b. Obtain an understanding of the accounting and financial reporting practices of each significant constituent part of the combined entity in a business combination that will enable the practitioner to perform the required procedures. If another practitioner has performed an audit or a review of the most</p>	<p><del>6.A11</del> <b>6.A12</b> <del>6.A10</del> An understanding of the underlying transaction (or event) may be obtained, for example, by reading relevant contracts and minutes of meetings of the board of directors and by making inquiries of appropriate officials of the entity, and, if considered necessary in the circumstances, of the entity acquired or to be acquired. (Ref: par. 6.12a)</p>

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<p>recent annual or interim period for which the pro forma financial information is presented (or the most recent annual or interim period of a significant constituent part of a combined entity), the need, by a practitioner reporting on the pro forma financial information, for an understanding of such entity's accounting and financial reporting practices is not diminished. In such circumstances, the practitioner should consider whether the practitioner can acquire sufficient knowledge of these matters to perform the procedures necessary to report on the pro forma financial information.</p>	
<p>c. Discuss with management their assumptions regarding the effects of the transaction (or event).</p> <p>d. Evaluate whether pro forma adjustments are included for all significant effects directly attributable to the transaction (or event).</p>	
<p>e. Obtain sufficient evidence in support of such adjustments. (Ref: par. <del>6.A11</del>-6.A13)</p>	<p><del>6.A126.A13</del> <del>6.A11</del> The evidence required to support the level of assurance obtained is a matter of professional judgment. Chapters 2 and 3 provide guidance about the evidence to be obtained in examination and review engagements, respectively. Examples of evidence that the practitioner might consider obtaining are purchase, merger or exchange agreements, appraisal reports, debt agreements, employment agreements, actions of the board of directors, and existing or proposed legislation or regulatory actions. (Ref: par. 6.12e)</p>
<p>f. Evaluate whether management's assumptions that underlie the pro forma adjustments are presented in a sufficiently clear and comprehensive manner.</p>	

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<p><i>g.</i> Evaluate whether the pro forma adjustments are consistent with each other and with the data used to develop them.</p>	
<p><i>h.</i> Evaluate whether computations of pro forma adjustments are mathematically correct and whether the pro forma column reflects the proper application of those adjustments to the historical financial statements.</p>	
<p><i>i.</i> Read the pro forma financial information and evaluate whether</p> <ul style="list-style-type: none"> <li>• the underlying transaction (or event), the pro forma adjustments, the significant assumptions, and the significant uncertainties, if any, about those assumptions have been appropriately described.</li> <li>• the source of the historical financial information on which the pro forma financial information is based has been appropriately identified.</li> </ul>	
<p><b>Written Representations</b></p> <p><b>6.13</b> <del>6.13</del> In addition to the written representations from management required by chapter 2 for an examination <u>engagement</u> or by chapter 3 for a review <u>engagement</u>, the practitioner should request <u>written representations from management to provide written representations that</u><sup>4</sup></p> <ul style="list-style-type: none"> <li>• it is responsible for the assumptions used in determining the pro forma adjustments</li> <li>• <u>the assumptions are factually supportable.</u></li> <li>• the assumptions provide a reasonable basis for presenting</li> </ul>	<p><b>Written Representations</b></p>

<sup>4</sup> Paragraph 2.45~~44~~ of chapter 2, “Examination Engagements” and paragraph 3.~~3432~~ of chapter 3, “Review Engagements.”

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<p><del>all of</del> the significant effects directly attributable to the <u>underlying</u> transaction (or event), <del>and that</del> the related pro forma adjustments give appropriate effect to those assumptions, <del>and that the pro forma column reflects the proper application of those adjustments to the historical financial statements.</del></p> <ul style="list-style-type: none"> <li>• <u>the pro forma adjustments are consistent with the entity's applicable financial reporting framework and its accounting policies under that framework</u></li> <li>• <del>the significant effects directly attributable to the transaction (or event) are appropriately disclosed in the pro forma financial information</del> <u>is appropriately presented and discloses the significant effects directly attributable to the transaction or event (Ref: par. 6.10c)</u></li> </ul> <p><b>Moved the rest of par. 6.13 to a new paragraph. See par. 6.14</b></p> <p><b>6.14</b> <del>6.13</del> The practitioner should <u>request obtain</u> from <del>management the responsible party</del> the written representations required by paragraph 6.13 <del>6.12i and chapter 2 of the attestation standards for an examination or chapter 3 of the attestation standards for a review,</del> even if the engaging party is not <del>management the responsible party.</del><sup>5</sup> The alternative to obtaining the required written representations provided for in chapter 2 <del>of the attestation standards in for</del> an examination <u>engagement</u> and chapter 3 <del>of the attestation standards</del> for a review <u>engagement</u> is not <u>applicable permitted</u> in an engagement to examine or review pro forma financial information.<sup>57</sup> <u>Management's refusal to furnish the written representations required by chapter 2 and paragraph 6.13 constitutes a limitation on the scope of the examination engagement sufficient to preclude an unmodified opinion and may be</u></p>	<p><del>6.A136.A14</del> <b>6.A12</b> This chapter does not permit the practitioner to perform the alternative procedures described in chapter 2 <del>of the attestation standards</del> for an examination <u>engagement</u> and in chapter 3 for a review <u>engagement</u> (making inquiries of the responsible party and restricting the use of the report) in an examination or review of pro forma financial information because <u>management's the assumptions and the related pro forma adjustments that give appropriate effect to the assumptions,</u> are critical to the pro forma financial information and therefore need to be confirmed by <u>management the responsible party.</u><sup>8</sup> (Ref: par. 6.14 <del>6.13</del>)</p>

<sup>5</sup> Paragraph 2.41 and 3.32.

<sup>57</sup> Paragraphs 2.4642b of chapter 2 and paragraph 3.4533b of chapter 2.

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<p><u>sufficient to cause the practitioner to withdraw from the examination engagement.<sup>6</sup> Management's refusal to furnish the written representations required by chapter 3 and paragraph 6.13 constitutes a limitation on the scope of the review engagement sufficient to cause the practitioner to withdraw from the review engagement.<sup>7</sup></u> (Ref: par. 6.A14)</p>	
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<p><b>6.15</b> <del>6.14</del> The practitioner's report on pro forma financial information may be added to the practitioner's report on historical financial information, or it may appear separately. If the reports are combined and the date of completion of the procedures for the examination or review of the pro forma financial information is after the date the practitioner obtained the evidence necessary to issue a report on the audit or review of the historical financial information, the combined report should be dual-dated. (Ref: par. <del>6.A13</del> 6.A15)</p>	<p><del>6.A14</del> <b>6.A15</b> <del>6.A13</del> The following is an example of how the report would be dual dated:</p> <p style="padding-left: 40px;">February 15, 20X2, except for the paragraphs regarding pro forma financial information for which the date is March 20, 20X2.</p> <p>(Ref: par. <del>6.14</del> 6.15)</p>

<sup>8</sup> Paragraphs 242b and 3.33b

<sup>6</sup> Paragraph 2.A62 of chapter 2.

<sup>7</sup> Paragraph 3.39c of chapter 3.

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<p><b>Examination Report on Pro Forma Financial Information</b></p> <p><b>6.16 6.15</b> The practitioner's examination report on pro forma financial information should include the following,<sup>9</sup> unless the practitioner is disclaiming an opinion, in which case items <del>6.15</del>6.16(i)(ii), <del>6.15</del>6.16(i-iv)(iii), and <del>6.15</del>6.16k should be omitted: (Ref: par. 6.A16)</p> <ul style="list-style-type: none"> <li>a. A title that includes the word independent</li> <li>b. An appropriate addressee as required by the circumstances of the engagement</li> <li>c. A reference to the pro forma adjustments included in the pro forma financial information</li> <li>d. A reference to management's description of the transaction (or event) to which the pro forma adjustments give effect (The description is included in the pro forma financial information.)</li> <li>e. An identification of the pro forma financial information being reported on, including the period of <u>or point in</u> time to which the measurement or evaluation of the pro forma financial information relates</li> <li>f. An identification of the criteria against which the pro forma financial information was measured or evaluated</li> <li>g. A reference to the financial statements from which the historical financial information is derived, <del>and</del> a statement that such</li> </ul>	<p><b>Examination Report on Pro Forma Financial Information</b></p> <p><del>6.A15</del><u>6.A16</u> <del>6.A14</del> The list of report elements in paragraph <del>6.15</del>6.16 constitutes all of the required report elements for an examination of pro forma financial information, including the elements required by chapter 2 of the attestation standards.<sup>8+4</sup> Application guidance regarding the elements of an examination report is included in chapter 2 of the attestation standards.<sup>9+2</sup> (Ref: par. <del>6.15</del>6.16)</p> <p><del>6.A16</del><u>6.A17</u> <del>6.A15</del> If the historical financial information was previously included in an SEC filing, the report would be modified to</p>

<sup>9</sup> Paragraph 2.52

<sup>8+4</sup> Paragraph 2.5752-2.58 of chapter 2.

<sup>9+2</sup> Paragraph 2.A73-2.A9394 of chapter 2

**Chapter 6, Reporting on Pro Forma Financial Information**

Introduction, Effective Date, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>financial statements were audited, <u>and, if applicable, whether the financial statements were audited by another auditor.</u> (The report on pro forma financial information should refer to any modification in the auditor's report on the historical financial statements. In the case of a business combination, this paragraph applies only to significant constituent parts of the combined entity.) (Ref: par. <u>6.A156.A17</u>)</p> <p><i>h</i> A statement that the pro forma adjustments are based on management's assumptions</p> <p><i>i.</i> A statement <del>that</del> <u>identifiesy</u></p> <p style="padding-left: 20px;"><i>i.</i> <u>management and its responsibilities, including that management the responsible party is responsible for and its responsibilities the pro forma financial information based on the criteria</u></p> <p style="padding-left: 20px;"><i>ii.</i> <u>the practitioner's responsibility is to express an opinion on the pro forma financial information,</u></p> <p><i>j.</i> A statement that</p> <p style="padding-left: 20px;"><i>i.</i> the examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants</p> <p style="padding-left: 20px;"><i>ii.</i> those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the <u>underlying</u> transaction (or event), the <u>related</u> pro forma adjustments give appropriate effect to <u>those assumptionsthe transaction (or event),</u> and the pro</p>	<p>indicate that the historical financial statements are "incorporated by reference." (Ref: par. <del>6.156.16g</del>)</p>

**Chapter 6, Reporting on Pro Forma Financial Information**

Introduction, Effective Date, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>forma <del>information amounts</del> reflects the proper application of those adjustments to the historical financial statements</p> <p>iii. an examination of pro forma financial information also includes performing procedures to obtain evidence about whether</p> <p>(1) management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction (or event) (Ref: par. <del>6.A166.A18</del>)</p> <p>(2) the <u>related</u> pro forma adjustments give appropriate effect to those assumptions</p> <p>(3) the pro forma amounts reflect the proper application of those adjustments to the historical financial statements</p> <p>iv. the practitioner believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's opinion</p> <p>k. A description of the objectives and limitations of pro forma financial information</p> <p>l. the practitioner's opinion about whether, based on the criteria,</p> <p>i. management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction (or event) (Ref: par. <del>6.A176.A19</del>)</p> <p>ii. the related pro forma adjustments give appropriate effect to those assumptions</p> <p>III. the pro forma amounts reflect the proper application of</p>	<p><del>6.A176.A18</del> <b>6.A16</b> Because a business combination accounted for in a manner similar to a pooling-of-interests combines the historical amounts of the combined entities retroactively, pro forma adjustments for a proposed transaction generally affect only the equity section of the pro forma condensed balance sheet. <u>Further, because of the requirements of FASB ASC 805, Business Combinations,</u> <del>§§</del> such business combinations would not ordinarily involve a choice of assumptions by management. Accordingly, a report on a proposed business combination that will be accounted for in a manner similar to a pooling-of-interests need not address management's assumptions unless the pro forma financial information includes adjustments to conform the accounting principles of the combining entities. (Ref: par. <del>6.156.16</del>[iii][1])</p> <p><del>6.A186.A19</del> <b>6.A17</b> Uncertainty about whether the transaction (or event) will be consummated would not ordinarily require a report modification. (Ref: par. <del>6.156.16</del>[i])</p>

<b>Chapter 6, Reporting on Pro Forma Financial Information</b>	
<b>Introduction, Effective Date, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p style="text-align: center;">those adjustments to the historical financial statements</p> <p><i>m.</i> When the circumstances identified in chapter 2 of the attestation standards are applicable, an alert in a separate paragraph that restricts the use of the report or describes the purpose of the report, as applicable<sup>10</sup></p> <p><i>n.</i> The manual or printed signature of the practitioner’s firm</p> <p><i>o.</i> The city and state where the practitioner practices</p> <p><i>p.</i> The date of the report (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner’s opinion, including that <del>management</del><u>the responsible party</u> has provided a written assertion.)</p> <p>(Ref: par. <del>6.A14-6.A17</del> 6.A16–6.A19)</p>	
<p><b>Review Report on Pro Forma Financial Information</b></p> <p><b>6.17</b> <del>6.16</del> The practitioner’s review report on pro forma financial information should include the following:<sup>43</sup> (Ref: par. 6.A20</p>	<p><b>Review Report on Pro Forma Financial Information</b></p> <p><del>6.A196.A20</del> <u>6.A18</u> The list of report elements in paragraph <del>6.16</del> 6.17 constitutes all of the required report elements for a review of pro forma financial information, including the elements required by chapter 3 of the attestation standards.<sup>1144</sup> Application guidance regarding the elements of a review report is included in chapter 3 of the attestation standards.<sup>1245</sup> (Ref: par. <del>6.16</del> 6.17)</p>
<p><i>a.</i> A title that includes the word <i>independent</i></p>	

<sup>10</sup> Paragraph 2.5852(i) of chapter 2

<sup>43</sup> ~~Paragraph 3.43 of chapter 3~~

<sup>11</sup> <sup>44</sup> Paragraph 3.4643-3.37 of chapter 3

<sup>12</sup> <sup>45</sup> Paragraphs 3.A5548–3.A7068 of chapter 3

**Chapter 6, Reporting on Pro Forma Financial Information**

Introduction, Effective Date, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>b. An appropriate addressee as required by the circumstances of the engagement</p> <p>c. A reference to the pro forma adjustments included in the pro forma financial information</p> <p>d. A reference to management’s description of the transaction (or event) to which the pro forma adjustments give effect (The description is included in the pro forma financial information.)</p> <p>e. An identification of the pro forma financial information being reported on, including the period of <u>or point in</u> time to which the measurement or evaluation of the pro forma financial information relates</p> <p>f. An identification of the criteria against which the pro forma financial information was measured or evaluated</p> <p>g. A reference to the financial statements from which the historical financial information is derived and</p> <p style="margin-left: 20px;"><u>i</u> <del>if the historical financial statements were audited</del> a statement that such financial statements were audited <u>or reviewed, as applicable</u> ; <del>and</del></p> <p style="margin-left: 20px;"><u>ii</u> if the <u>auditor issued a review report on the</u> historical financial statements <del>were reviewed</del>, a statement that <u>such a review report was issued, and, if applicable, whether the financial statements were reviewed by another auditor.</u> <del>financial statements were reviewed</del> (The report on pro forma financial information should refer to any modification in the practitioner’s report on the historical financial information.) In the case of a business combination, this</p>	<p><del>6.A206.A21</del> <u>6.A19</u> If the historical financial information was previously included in an SEC filing, the report would be modified to indicate that the historical financial statements are “incorporated by reference.” (Ref: par. <del>6.166.17g</del>)</p>

<b>Chapter 6, Reporting on Pro Forma Financial Information</b>	
<b>Introduction, Effective Date, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>paragraph applies only to significant constituent parts of the combined entity. (Ref: par. <del>6.A196</del>.A21)</p> <p><i>h.</i> A statement that the pro forma adjustments are based on management's assumptions</p> <p><i>i.</i> A statement <del>that</del> <u>to identifies</u></p> <p style="padding-left: 20px;"><i>i.</i> <del>management the responsible party</del> and its responsibilities, <u>including that management is responsible for the pro forma financial information</u></p> <p style="padding-left: 20px;"><i>ii.</i> the practitioner's responsibility <del>ies</del> <u>is to express a conclusion based on the practitioner's review</u></p> <p><i>j.</i> A statement that</p> <p style="padding-left: 20px;"><i>i.</i> the review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants</p> <p style="padding-left: 20px;"><i>ii.</i> those standards require that the practitioner plan and perform the review to obtain limited assurance about whether any material modifications should be made to</p> <p style="padding-left: 40px;">(1) management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the <u>underlying</u> transaction (or event) (Ref: par. <del>6.A206</del>.A22);</p> <p style="padding-left: 40px;">(2) the <u>related</u> pro forma adjustments in order for them to give appropriate effect to those assumptions; <del>ander</del></p> <p style="padding-left: 40px;">(3) the pro forma <u>financial information amounts</u> in order for</p>	<p><del>6.A216</del>.A22 <del>6.A20</del> Because a business combination accounted for in a manner similar to a pooling-of-interests combines the historical amounts of the combined entities retroactively, pro forma adjustments for a proposed transaction generally affect only the equity section of the pro forma condensed balance sheet. <u>Further, because of the requirements of FASB ASC 805, Business Combinations,</u> <del>S</del>such business combinations would not ordinarily involve a choice of assumptions by management. Accordingly, a report on a proposed business combination that will be accounted for in a manner similar to a pooling-of-interests need not address management's assumptions unless the pro forma financial information includes adjustments to conform the accounting principles of the combining entities. (Ref: par. <del>6.166</del>.17/[ii][1])</p>

**Chapter 6, Reporting on Pro Forma Financial Information**

Introduction, Effective Date, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><del>it them</del> to reflect the proper application of those adjustments to the historical financial statements.</p> <p>iii. a review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), the <u>related</u> pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statements in order to express an opinion. Accordingly, the practitioner does not express such an opinion.</p> <p>iv. the practitioner believes the review provides a reasonable basis for the practitioner's conclusion</p> <p>k. a description of the objectives and limitations of pro forma financial information</p> <p>l. the practitioner's conclusion about whether <u>based on the review, the practitioner is aware of any material modifications that should be made to any information came to the practitioner's attention to cause the practitioner to believe</u></p> <p>i. <del>that</del> management's assumptions <u>in order for them to do not</u> provide a reasonable basis for presenting the significant effects directly attributable to the transaction (or event) (Ref: par. <del>6.A21</del>6.A23),</p> <p>ii. <del>that</del> the related pro forma adjustments <u>in order for them to do not</u> give appropriate effect to those assumptions, <u>ander</u></p>	<p><del>6.A22</del>6.A23 <del>6.A21</del> Uncertainty about whether the transaction (or event) will be consummated would not ordinarily require a report modification. (Ref: par. <del>6-166.17</del>[i])</p>

**Chapter 6, Reporting on Pro Forma Financial Information**

Introduction, Effective Date, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>iii. <del>that</del> the pro forma amounts <u>in order for them to do not</u> reflect the proper application of those adjustments to the historical financial statements.</p> <p>m. When the circumstances identified in chapter 3 of the attestation standards are applicable, an alert in a separate paragraph that restricts the use of the report or describes the purpose of the report, as applicable<sup>1346</sup></p> <p>n. The manual or printed signature of the practitioner's firm.</p> <p>o. The city and state where the practitioner practices.</p> <p>p. The date of the report (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate review evidence on which to base the practitioner's conclusion, including that <u>management</u><del>the responsible party</del> has provided a written assertion.)</p>	

<sup>13 46</sup> Paragraph 3.473-43(h) of chapter 3

~~6.A236.A24~~ **6.A22 Exhibit: Illustrative Reports for Examinations and Reviews of Pro Forma Financial Information**

**Example 1—Report on an Examination of Pro Forma Financial Information**

Independent Accountant's Report

*[Appropriate Addressee]*

We have examined the pro forma adjustments giving effect to the transaction [or event] described in Note 1 and the application of those adjustments to the historical amounts ~~(pro forma financial information)~~ in the accompanying pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were audited by other accountants, appearing elsewhere herein [*or and are readily available*]. The pro forma adjustments are based on management's assumptions described in Note 1. X Company's management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the pro forma financial information based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction [or event], the pro forma adjustments give appropriate effect to those ~~assumption transaction [or event]~~, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statements. The nature, timing, and extent of the procedures selected depend on our ~~professional~~ judgment, including an assessment of the risks of material misstatement ~~of the pro forma financial information~~, whether due to fraud or error, ~~and involve examining evidence about the pro forma financial information~~. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the transaction [or event] occurred at an earlier date. However, the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction [or event] actually occurred at such earlier date.

In our opinion, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction [or event] described in Note 1, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended, based on the criteria in Note 1.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

### **Example 2—Report on a Review of Pro Forma Financial Information**

#### Independent Accountant's Report

*[Appropriate Addressee]*

We have reviewed the pro forma adjustments giving effect to the transaction [or event] described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of March 31, 20X2, and the related pro forma condensed statement of income for the three months then ended (pro forma financial information), based on the criteria in Note 1. These historical condensed financial statements are derived from the historical unaudited financial statements of X Company, which were reviewed by us, and of Y Company, which were reviewed by other accountants,<sup>1</sup> appearing elsewhere herein *[or and are readily available]*. The pro forma adjustments are based on management's assumptions as described in Note 1. X Company's management is responsible for the pro forma financial information. Our responsibility is to express a conclusion based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our review to obtain limited assurance about whether any material modifications should be made to (1) management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the transaction (or event), (2) the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or (3) the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statements. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion about whether management's

<sup>1</sup> When one set of historical financial statements is audited and the other set is reviewed, wording similar to the following would be appropriate:  
The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were reviewed by other accountants, appearing elsewhere herein *[or and are readily available]*.

assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction [or event], the pro forma adjustments give appropriate effect to those ~~assumptionstransaction [or event]~~, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statements. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the transaction [or event] occurred at an earlier date. However, the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction [or event] actually occurred at such earlier date.

Based on our review, we are not aware of any material modifications that should be made to (1) management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction [or event] described in Note 1, (2) the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or (3) the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of March 31, 20X2, and the related pro forma condensed statement of income for the three months then ended, based on the criteria in Note 1.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

### **Example 3—Report on an Examination of Pro Forma Financial Information at Year-End With a Review of Pro Forma Financial Information for a Subsequent Interim Date**

#### Independent Accountant's Report

*[Appropriate Addressee]*

We have examined the pro forma adjustments giving effect to the transaction [or event] described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma financial condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended (pro forma financial information) based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were audited by other accountants, appearing elsewhere herein *[or and are readily available]*. The pro forma

adjustments are based on management's assumptions described in Note 1. X Company's management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the pro forma financial information based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction [or event], the pro forma adjustments give appropriate effect to those ~~assumption~~~~transaction [or event]~~, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statements. The nature, timing, and extent of the procedures selected depend on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involve examining evidence about the pro forma financial information. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In addition, we have reviewed the pro forma adjustments and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of March 31, 20X2, and the related pro forma condensed statement of income for the three months then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were reviewed by us, and of Y Company, which were reviewed by other accountants,<sup>2</sup> appearing elsewhere herein [*or and are readily available*]. The pro forma adjustments are based on management's assumptions as described in Note 1. X Company's management is responsible for the pro forma financial information. Our responsibility is to express a conclusion based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our review to obtain limited assurance about whether any material modifications should be made to (1) management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), (2) the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or (3) the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statements.

A review is substantially less in scope than an examination, the objective of which is the expression of an opinion about whether management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction [or event], the pro forma adjustments give appropriate effect to ~~those assumption~~~~the transaction [or event]~~, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statements. Accordingly, we do not express such an opinion on the pro forma adjustments or on the

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<sup>2</sup> When one set of historical financial statements is audited and the other set is reviewed, wording similar to the following would be appropriate:

The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were reviewed by other accountants, appearing elsewhere herein [*or and are readily available*].

application of such adjustments to the pro forma condensed balance sheet as of March 31, 20X2, and the pro forma condensed statement of income for the three months then ended. We believe that our review provides a reasonable basis for our conclusion.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the transactions [or event] occurred at an earlier date. However, the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction [or event] actually occurred at such earlier date.

In our opinion, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction [or event] described in Note 1, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended, based on the criteria in Note 1.

Based on our review, we are not aware of any material modifications that should be made to (1) management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction [or event] described in Note 1, (2) the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or (3) the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of March 31, 20X2, and the related pro forma condensed statement of income for the three months then ended based on the criteria in Note 1.

*[Practitioner's signature]*  
*[Practitioner's city and state]*  
*[Date of practitioner's report]*

#### **Example 4—Qualified Examination Report Because of a Scope Limitation**

##### Independent Accountant's Report

*[Appropriate Addressee]*

We have examined the pro forma adjustments giving effect to the transaction [or event] described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of December 31, 20X1, and

the related pro forma condensed statement of income for the year then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were audited by other accountants, appearing elsewhere herein [*or and are readily available*]. Such pro forma adjustments are based upon management's assumptions described in Note 1. X Company's management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the pro forma financial information based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction [*or event*], the pro forma adjustments give appropriate effect to those assumption~~transaction [*or event*]~~, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statements. The nature, timing, and extent of the procedures selected depend on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involve examining evidence about the pro forma financial information. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We ~~were~~are unable to perform the examination procedures we considered necessary with respect to assumptions relating to the proposed loan described in Adjustment E in Note 1.

*[Same paragraph as third paragraph in examination report in example 1]*

In our opinion, except for the effects of such changes, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the assumptions relating to the proposed loan, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction [*or event*] described in Note 1, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended, based on the criteria in Note 1.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

### **Example 5—Qualified Examination Report Because of Reservations About the Propriety of the Assumptions**

Independent Accountant's Report

*[Appropriate Addressee]*

*[Same first three paragraphs as examination report in example 1.]*

As discussed in Note 1 to the pro forma financial statements, the pro forma adjustments reflect management's assumption that X Division of the acquired company will be sold. The net assets of this division are reflected at their historical carrying amount; generally accepted accounting principles require these net assets to be recorded at fair value less cost to sell.

In our opinion, except for inappropriate valuation of the net assets of X Division, management's assumptions described in Note 1 provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction [or event] described in Note 1, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of the practitioner's report]*

#### **Example 6—Disclaimer of Opinion Because of a Scope Limitation**

##### Independent Accountant's Report

*[Appropriate Addressee]*

We were engaged to examine the pro forma adjustments giving effect to the transaction [or event] described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma financial condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were audited by other accountants, appearing elsewhere herein *[or and are readily available]*. The pro forma adjustments are based on management's assumptions described in Note 1. X Company's management is responsible for the pro forma financial information.

As discussed in Note 1 to the pro forma financial statements, the pro forma adjustments reflect management's assumptions that the elimination of duplicate facilities would have resulted in a 30 percent reduction in operating costs. Management could not supply us with sufficient evidence to support this assertion.

*[Same paragraph as third paragraph in the examination report in example 1.]*

Because we were unable to evaluate management's assumptions regarding the reduction in operating costs and other assumptions related thereto, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction [or event] described in Note 1 or on whether the pro forma adjustments reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and related the pro forma condensed statement of income for the year then ended.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*