

Agenda Item 1A



Proposed SSARS Amendment to Statement on Standards for Accounting and Review Services No. 21 Section 90, Review of Financial Statements

Amendment to AR-C section 80, *Compilation Engagements*

1. AR-C section 80, *Compilation Engagements* (AICPA, *Professional Standards*), applies when the accountant is engaged to perform a compilation engagement. This amendment revises paragraphs .05, .35-.36 and .A35-.A36 and adds paragraphs .A6-.A7 to clarify the definition of *supplementary information* and to revise the accountant's reporting responsibilities when supplementary information accompanies financial statements subjected to a compilation and the accountant's compilation report thereon.
2. New language is shown in boldface italics; deleted language is shown by strikethrough.
3. These amendments are effective upon issuance.

Definitions

.05 For purposes of SSARSs, the following terms have the meanings attributed as follows:...

Supplementary information. Information presented outside the basic financial statements, excluding required supplementary information, that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework. *Such information may be presented in a document containing the financial statements subjected to the compilation engagement or separate from the financial statements subjected to the compilation engagement.* (Ref: par. .A6-.A7).

Supplementary Information That Accompanies Financial Statements and the Accountant's Compilation Report Thereon

- .3234 When supplementary information accompanies financial statements and the accountant's compilation report thereon, the accountant should clearly indicate the degree of responsibility, if any, the accountant is taking with respect to such information in either (Ref: par. .A35)
- a. a separate paragraph in the accountant's compilation report on the financial statements or
 - b. a separate report on the supplementary information.

~~.3335~~ When the accountant has *subjected* performed a compilation engagement with respect to both the *financial statements and the supplementary information to the compilation procedures applied in the accountant's compilation of the basic financial statements*, the accountant should include a separate paragraph in the accountant's compilation report on the financial statements or issue a separate report on the supplementary information that states (Ref: par. ~~.A36A39~~ and ~~.A38A41~~)

- ~~a.~~ the *supplementary* information is presented for purposes of additional analysis and is not a required part of the basic financial statements;
- ~~b.~~ the *supplementary* information is the ~~representation~~ *responsibility* of management *and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements*; and
- ~~c.~~ the *supplementary* information ~~was~~ *has been* subjected to the *compilation procedures applied in the accountant's compilation of the basic financial statements*.
- ~~d.~~ ~~engagement, however, the~~ *The* accountant has not audited or reviewed the *supplementary* information and, accordingly, does not express an opinion, a conclusion, nor provide any assurance on such information.

~~.3436~~ When the accountant has performed a compilation engagement with respect to the *financial statements but not subjected* the supplementary information ~~was not subject to the compilation procedures applied in the accountant's compilation of the basic financial statements engagement~~, the accountant should include an separate paragraph in the accountant's compilation report on the financial statements or ~~issue a~~ *the* separate report on the supplementary information that *should* states *that* (Ref: par. ~~.A37A40~~–~~.A38A41~~)

- ~~a.~~ the *supplementary* information is presented for purposes of additional analysis and is not a required part of the basic financial statements;
- ~~b.~~ the *supplementary* information is the ~~representation~~ *responsibility* of management; and *the accountant has not performed an audit, review, or* ~~information was not subject to the compilation of the supplementary information engagement~~ and, accordingly, the ~~accountant~~ does not express an opinion, a conclusion, nor provide any assurance on such information.

Application and Other Explanatory Material

Definitions (Ref: par. .05)

~~.A6~~ *Supplementary information includes additional details or explanations of items in or related to the basic financial statements, consolidating information, historical summaries of items extracted from the basic financial statements, statistical data, and other material, some of which may be from sources outside the accounting system or outside the entity.*

~~.A7~~ *Supplementary information may be prepared in accordance with an applicable financial reporting framework, by regulatory or contractual requirements, in accordance with management's criteria, or in accordance with other requirements.*

Supplementary Information That Accompanies Financial Statements and the Accountant's Compilation Report Thereon (Ref: par. .3235-.3436)

~~.A35~~ Although not required to perform a compilation engagement on supplementary information that accompanies financial statements and the accountant's compilation report thereon, nothing precludes the accountant from performing a compilation engagement on such information if engaged to do so.

~~.A36~~^{A39} The following is an example of how an accountant may word a separate paragraph in the accountant's compilation report addressing supplementary information when the accountant has performed a compilation engagement on both the financial statements and the supplementary information *has been subjected to the compilation procedures applied in the accountant's compilation of the basic financial statements*:

The [identify the supplementary information] is presented for purposes of additional analysis and is not a required part of the basic financial statements. This *Such* information is the representation *responsibility* of management *and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.* The information ~~was~~ *has been* subjected to ~~our~~ *the compilation procedures applied in my (our) compilation of the basic financial statements.* engagement, however, I (we) have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

~~.A37~~^{A40} The following is an example of how an accountant may word a separate paragraph in the accountant's compilation report addressing supplementary information when the accountant has performed a compilation engagement on the financial statements but has not performed a compilation on the supplementary information *has not been subjected to the compilation procedures applied in the compilation of the basic financial statements*:

The [identify the supplementary information] is presented for purposes of additional analysis and is not a required part of the basic financial statements. This *Such* information is the representation *responsibility* of management. The information ~~was not subject to our compilation engagement.~~ I (We) *have not performed an audit, review, or compilation of the supplementary information and accordingly* do not express an opinion, a conclusion, nor provide any assurance on such information.

~~.A38~~^{A41} Supplementary information may become unattached from the accountant's compilation report. To minimize the possibility that a user of the information may infer, through the accountant's association with the information, an unintended level of reliance on the information, the accountant may request that management include a reference to the accountant's compilation report on each page of the information. An example of a reference to the accountant's compilation report included on each page of the supplementary information is "See Accountant's Report" or "See Accountant's Compilation Report."

Amendment to AR-C section 90, *Review of Financial Statements*

1. AR-C section 90, *Review of Financial Statements* (AICPA, *Professional Standards*), addresses the accountant's responsibilities when engaged to review financial statements. This amendment revises paragraphs .05, .81–.82 and .A128–.A131 and adds paragraphs .A10–.A11 to clarify the definition of *supplementary information* and to revise the accountant's reporting responsibilities when supplementary information accompanies reviewed financial statements and the accountant's review report thereon.
2. New language is shown in boldface italics; deleted language is shown by strikethrough.
3. These amendments are effective upon issuance.

Definitions

.05 For purposes of SSARSs, the following terms have the meanings attributed as follows:...

Supplementary information. Information presented outside the basic financial statements, excluding required supplementary information, that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework. *Such information may be presented in a document containing the reviewed financial statements or separate from the reviewed financial statements. (Ref: par. .A10–.A11)*

Supplementary Information That Accompanies Reviewed Financial Statements and the Accountant's Review Report Thereon

- .80 When supplementary information accompanies reviewed financial statements and the accountant's review report thereon, the accountant should clearly indicate the degree of responsibility, if any, the accountant is taking with respect to such information in either (Ref: ~~par. .A128~~)
- a. an other-matter paragraph in the accountant's review report on the financial statements or
 - b. a separate report on the supplementary information.
- .81 When the accountant has *subjected* ~~reviewed both the financial statements and the supplementary information~~ *to the review procedures applied in the accountant's review of the basic financial statements*, the other-matter paragraph in the accountant's review report on the financial statements or the separate report on the supplementary information should state that (Ref: par. ~~.A129~~*A130* and ~~.A131~~*A132*)
- a. the *supplementary* information is presented for purposes of additional analysis and is not a required part of the *basic* financial statements;
 - b. the *supplementary* information is the ~~representation~~ *responsibility* of management *and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements*;
 - c. the ~~accountant~~ *supplementary information* has ~~reviewed the information~~ *been subjected to the review procedures applied in the accountant's review of the basic financial*

~~statements~~; and, ~~based on the accountant's review~~, whether the accountant is aware of any material modifications that should be made to the information ~~in order for it to be in accordance with the applicable financial reporting framework~~; and

- d. the accountant has not audited the *supplementary* information and, accordingly, does not express an opinion on such information.

.82 When the accountant has ~~reviewed the financial statements but not~~ *subjected* the supplementary information *to the review procedures applied in the accountant's review of the basic financial statements*, the other-matter paragraph in the accountant's review report on the financial statements or the separate report on the supplementary information should state that (Ref: par. ~~A130A131–A131A132~~)

- a. the *supplementary* information is presented for purposes of additional analysis and is not a required part of the *basic* financial statements;
- b. the *supplementary* information is the ~~representation~~ *responsibility* of management; and
- c. the accountant has not audited or reviewed the *supplementary* information and, accordingly, does not express an opinion, a conclusion, nor provide any assurance on such information.

Application and Other Explanatory Material

Definitions (Ref: par. .05)

.A10 Supplementary information includes additional details or explanations of items in or related to the basic financial statements, consolidating information, historical summaries of items extracted from the basic financial statements, statistical data, and other material, some of which may be from sources outside the accounting system or outside the entity.

.A11 Supplementary information may be prepared in accordance with an applicable financial reporting framework, by regulatory or contractual requirements, in accordance with management's criteria, or in accordance with other requirements.

Supplementary Information That Accompanies Reviewed Financial Statements and the Accountant's Review Report Thereon (Ref: par. .80–.82)

~~**.A128** Although not required to perform a compilation or review on supplementary information, nothing precludes the accountant from performing a compilation or review on such information if engaged to do so.~~

~~**.A129**~~**A130** The following is an example of how an accountant may word an other-matter paragraph addressing supplementary information when ~~the accountant has reviewed both the financial statements and the supplementary information~~ *has been subjected to the review procedures applied in the accountant's review of the basic financial statements*:

Other Matter

The [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. ~~The~~ **Such** information is the ~~representation~~ **responsibility** of management **and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.** ~~I (We)~~ have ~~reviewed the~~ **The information has been subjected to the review procedures applied in my (our) review of the basic financial statements.** ~~and, based on my (our) review, I am (we are) not aware of any material modifications that should be made to the information in order for it to be in accordance with [the applicable financial reporting framework].~~ I (We) have not audited the information and, accordingly, do not express an opinion on such information.

~~A130~~A131 The following is an example of how an accountant may word an other-matter paragraph addressing supplementary information when ~~the accountant has reviewed the financial statements but has not reviewed~~ the supplementary information **has not been subjected to the review procedures applied in the review of the basic financial statements:**

Other Matter

The [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. ~~The~~ **Such** information is the ~~representation~~ **responsibility** of management. I (We) have not audited or reviewed such information and, accordingly, I (we) do not express an opinion, a conclusion, nor provide any assurance on it.

~~A131~~A132 Supplementary information ~~on which the accountant has performed a compilation or review~~ may become unattached from the accountant's review report. To minimize the possibility that a user of the information may infer, through the accountant's association with the information, an unintended level of reliance on the information, the accountant may consider including a reference to the accountant's review report on each page of the information. An example of a reference to the accountant's review report included on each page of the supplementary information is "See independent accountant's review report."