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Re: Exposure Draft Dated June 29, 2012 – Proposed Statements on Standards for Accounting and Review Services, AICPA Accounting and Review Services Committee, *Association with Unaudited Financial Statements; Compilation of Financial Statements; and Compilation of Financial Statements—Special Considerations*; and Exposure Draft dated June 29, 2012—Omnibus Proposal, AICPA Professional Ethics Executive Committee, Proposed Revised and New Interpretations and Proposed Deletions of Ethics Rulings, *Proposed Revised Interpretation No. 101-3 Under Rule 101* (collectively, “Exposure Drafts”)

Dear Members and Staff of the AICPA Professional Ethics Executive Committee and Members and Staff of the AICPA Accounting and Review Services Committee:

The Missouri State Board of Accountancy (“Board”) appreciates the opportunity to comment on the Exposure Draft of the AICPA Professional Ethics Executive Committee (“PEEC Draft”) and the Exposure Draft of the AICPA Accounting and Review Services Committee (“ARSC Draft”). The Board’s mission is to promote the reliability of financial statements and other financial reporting of both public and private entities and protection of the public interest by regulating Certified Public Accountants and their Firms in Missouri. In pursuit of those objectives, the Board offers the following comments on the exposure drafts.

Comments on the ARSC Draft

Association with the Unaudited Financial Statements

The Board believes that public protection is inherent with the ARSC Draft; however one consequence that may occur as the result of designating “prepare and present” engagements as non-attest engagements is that such engagements will no longer be subject to peer review. The Board believes that many entities that previously requested compilation services, which are subject to peer review, may request that the accountant perform a “prepare and present” engagement and will not request a compilation. Thus, peer review teams may no longer scrutinize a significant amount of work performed by Certified Public Accountants.

The Board believes that the Accounting and Review Services Committee (“ARSC”) must address the potential ramifications of this issue within the AICPA, including its Peer Review Board prior to proceeding with “prepare and present” engagements. The Board relies on the Peer Review process to assure that CPAs and CPA firms in Missouri are providing reliable financial reports and information to their clients and the public.

However, in any event the Board believes the proposed requirements for association with non-attest financial statement engagements should include a written engagement letter between the CPA and the entity.

The Board is highly concerned the financial statement user may not be able to clearly understand the CPA’s role in the preparation of the financial statements. The Board is concerned that pursuant to Paragraph 5 (Definitions) of the ARSC Draft which says, in part, that an accountant is associated with unaudited financial statements when (5b); “...the accountant prepares, in whole or in part, financial statements, even though the accountant does not append the accountant’s name to the financial statements.”

Paragraph 7 of the ARSC Draft states: “when the accountant is associated with the unaudited financial statements for the reasons described in paragraph (5b), the accountant should request that the entity clearly indicate that the financial statements were not compiled, reviewed, or audited.”

The ARSC Draft does not preclude the accountant from attaching a report to the unaudited financial statements and suggests wording to “clearly” indicate that the accountant has not compiled, reviewed, or audited the financial statements, and state that the accountant does not express an opinion or any form of assurance on them. However, the ARSC Draft does not require that a report be issued by the accountant.

The Board strongly recommends that Paragraph 4 be changed to require that the accountant attach a report to the unaudited financial statements and that each page of the unaudited financial statements should also include the legend: “See Accountant’s Report.” The Board suggests the accountants report include the following:

“We (I) have prepared [assisted in the preparation of] the financial statements of [Entity Name]. The financial statements as of and for the year ended December 31, 20XX, were not compiled, reviewed, or audited, and accordingly, we (I) do not express an opinion or any form of assurance.”

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November 15, 2012
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Paragraph 6 of the ARSC Draft requires the accountant to apply certain procedures to unaudited financial statements that the accountant is associated with (as described in Paragraph 5a). Paragraph 6 is silent on financial statements that the accountant has prepared (as described in Paragraph 5b). The Board recommends, as a minimum, that the final standard remind the accountant that whenever preparing financial statements for clients, that the accountant also is responsible for the appropriate disposition of known errors or other misstatements.

Compilation of Financial Statements – Material Misstatements

The Board notes that in the ARSC Draft, when the accountant is asked to read the financial statements, the accountant is to consider whether they are free from obvious material misstatements (Paragraph 3a). However, in Paragraph 14, the accountant is asked to read only for obvious material errors. This appears to be an unintended discrepancy in the requirements without a meaningful distinction in the circumstances. Therefore, the Board suggests substituting “misstatements” for “error” in Paragraph 14.

In addition, please consider adding a definition of “misstatements.” While the term “fraud” is included in the definitions section of ARSC Draft, the term “misstatement” should also be included in the definitions.

Effective Dates

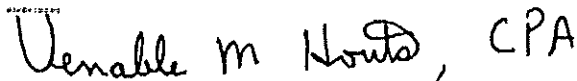
The Board suggests that the effective dates of the Exposure Drafts be the same date December 15, 2014, and that early adoption should not be allowed. Early adoption would have dual standards operating at the same time and may cause regulatory and public confusion.

Comment on the PEEC Draft

The Board supports the changes to Interpretation No. 101-3 and the new interpretations under Rules 501 and 502 in the Code of Professional Conduct.

The Board appreciates the opportunity to comment on the Exposure Drafts.

Sincerely,



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MOSBA President



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