

Agenda Item 2C



AR section 200, *Reporting on Comparative Financial Statements* – Disposition of Requirements

NOTE: HIGHLIGHTED LANGUAGE IS NOT INCLUDED IN SSARS 21 OR THE 2015 GUIDE.

AR section	Paragraph #	Requirement	Section 80 of SSARS 21	Section 90 of SSARS 21	Guide Chapter – Preparation	Guide Chapter – Compilation	Guide Chapter – Review	Notes
200	.02	When comparative financial statements are presented, the accountant <b>should</b> issue an appropriate report(s) covering each period presented in accordance with the provisions of this section.		Paragraph .45		Paragraphs 2.51 – 2.52	Paragraph 1.166	Section 80 of SSARS 21 does not include requirements on reporting on comparative financial statements.  The Guide does not require that the report cover each period – just that the report clearly indicate the period covered by the report. There is a suggestion that that accountant consider have the client include a clear indication on the financial statements when periods are presented that have not been subjected to

Commented [MG1]: ARSC to look at this paragraph in the Guide.

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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								an audit, review, or compilation.
200	.03	Whenever the accountant becomes aware that financial statements of other periods that have not been audited, reviewed, or compiled have been presented in columnar form in a document with financial statements on which he or she has compiled or reviewed and that his or her name has been used or his or her report included in the document, he or she <b>should</b> advise his or her client that the use of his or her name or report is				Paragraph 2.52		It is suggested that the accountant “may advise his or her client that a clear indication should be included so that a user does not inappropriately extend the accountant’s review report to such financial statements.”

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		inappropriate and <b>should</b> consider what other actions might be appropriate, including consultation with his or her attorney.						
200	.05	the accountant <b>should</b> not issue a report on comparative financial statements when statements for one or more, but not all, of the periods presented omit substantially all of the disclosures required by an applicable financial reporting framework.				Paragraph 2.54		
200	.07	A reissued report may need						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		to be revised for the effects of specific events; in these circumstances, the report <b>should</b> be dual-dated with the original date and a separate date that applies to the effects of such events.						
200	.08	A continuing accountant who performs the same or a higher level of service with respect to the financial statements of the current period <b>should</b> update his or her report on the financial statements of a prior period presented with		Paragraph 46  Paragraph 50 with respect to comparative financial statements and the prior period was audited.		2.55	1.167	Section 80 of SSARS 21 does not include guidance on reporting on comparative financial statements.  Requirements with respect to reporting in a review engagement when the prior period was audited is included in paragraph .50 of section 90 of SSARS 21. SSARS 21 does not provide guidance when the current period is reviewed and the prior period is audited.

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		those of the current period. A continuing accountant who performs a lower level of service with respect to the financial statements of the current period <b>should</b> either (a) include as a separate paragraph of his or her report a description of the responsibility assumed for the financial statements of the prior period (see paragraphs .11–.12) or (b) reissue his or her report on the financial statements of the prior period.						
200	.11	A continuing accountant who performs a				2.56		

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		<p>compilation of the current period financial statements and has previously reviewed one or more prior period financial statements <b>should</b> report as indicated in either (a) or (b) that follow:</p> <p>a. Issue a compilation report on the current-period financial statements that includes a description of the responsibility assumed for the financial statements of the prior period. The description <b>should</b> include the original date</p>						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		<p>of the accountant's report and <b>should</b> also state that he or she has not performed any procedures in connection with that review engagement after that date.</p> <p><i>b.</i> Combine his or her compilation report on the financial statements of the current period with his or her reissued review report on the financial statements of the prior period or present them separately. The combined report <b>should</b> state that the accountant has not performed</p>						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		any procedures in connection with that review engagement after the date of his or her review report.						
200	.13	During his or her current engagement, the accountant <b>should</b> be aware that circumstances or events may affect the prior-period financial statements presented, including the adequacy of informative disclosures. The accountant <b>should</b> consider the effects on his or her report on the prior-period financial statements of circumstances or events coming to		Paragraph .48		2.57		



Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		his or her attention.						
200	.14	When the accountant's report on the financial statements of the prior period contains a changed reference to a departure from the applicable financial reporting framework, his or her report <b>should</b> include a separate explanatory paragraph indicating <ul style="list-style-type: none"> <li><i>a.</i> the date of the accountant's previous report.</li> <li><i>b.</i> the circumstances or events that caused the</li> </ul>		Paragraph .49		Paragraph 2.58		

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		reference to be changed.  c. when applicable, that the financial statements of the prior period have been changed.						
200	.16	A predecessor may reissue his or her report at the client's request if he or she is able to make satisfactory arrangements with his or her former client and if he or she complies with the provisions of paragraphs .20–.24. However, a predecessor is not required to reissue his or her compilation or review report on the financial				Paragraph 2.59	Paragraph 1.169	

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		statements of a prior period. If he or she does not reissue his or her compilation or review report on the financial statements of a prior period, a successor <b>should</b> either (a) make reference to the report of the predecessor in accordance with the provisions of paragraphs .17–.19 or (b) perform a compilation or review of the financial statements of the prior period and report on them accordingly.						
200	.17	When the financial statements of a prior period have been compiled or				Paragraph 2.60	Paragraph 1.169	

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		<p>reviewed by a predecessor whose report is not presented and the successor has not compiled or reviewed those financial statements, the successor <b>should</b> make reference in an additional paragraph(s) of his or her report on the current-period financial statements to the predecessor's report on the prior-period financial statements. This reference <b>should</b> include the following matters:</p>						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		<p><i>a.</i> A statement that the financial statements of the prior period were compiled or reviewed by another accountant (other accountants).<sup>9</sup></p> <p><i>b.</i> The date of his or her (their) report.</p> <p><i>c.</i> If the financial statements of the prior period were compiled, a statement that the other accountant(s) did not audit or review the financial statements and, accordingly, did not express an opinion or provide any assurance about whether the</p>						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		<p>financial statements are in accordance with the applicable financial reporting framework.</p> <p><i>d.</i> If the financial statements of the prior period were reviewed, a statement that, based on his or her review, the other accountant(s) are not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with the applicable financial reporting framework, other</p>						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		<p>than those modifications, if any, indicated in the report.</p> <p>e. A description or a quotation of any modifications of the standard report and of any paragraphs emphasizing a matter regarding the financial statements.</p> <p><sup>9</sup> The successor accountant <b>should</b> not name the predecessor accountant in his or her report unless the predecessor accountant's practice was acquired by, or merged with, that of the successor accountant.</p>				Footnote 1	Footnote 2	

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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200	.20	Before reissuing a compilation or review report on the financial statements of a prior period, a predecessor <b>should</b> consider whether his or her report is still appropriate. In making this determination, the predecessor <b>should</b> consider (a) the current form and manner of presentation of the prior-period financial statements, (b) subsequent events not previously known, and (c) changes in the financial statements that require the addition or deletion of						



Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		modifications to the standard report.						
200	.21	<p>A predecessor <b>should</b> perform the following procedures before reissuing his or her compilation or review report on the financial statements of a prior period:</p> <p><i>a.</i> Read the financial statements of the current period and the successor's report.</p> <p><i>b.</i> Compare the prior-period financial statements with those previously issued and with</p>						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		those of the current period.  c. Obtain a letter from the successor that indicates whether he or she is aware of any matter that, in his or her opinion, might have a material effect on the financial statements, including disclosures, reported on by the predecessor. The predecessor <b>should</b> not refer in his or her reissued report to this letter or to the report of the successor.						
200	.22	If a predecessor becomes aware of information, including information		Paragraph .74-.77		Paragraph 2.61		

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		about events or transactions occurring subsequent to the date of his or her previous report, that he or she believes may affect the prior-period financial statements or his or her report on them, he or she <b>should</b> (a) make inquiries or perform analytical procedures similar to those he or she would have performed if he or she had been aware of such information at the date of his or her report on the prior-period financial statements and (b) perform any other procedures						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		<p>he or she considers necessary in the circumstances. For example, the predecessor may wish to discuss this information with the successor or to review the engagement documentation of the successor as it relates to the matters affecting the prior period financial statements. If the predecessor decides, based on the information obtained, that his or her report on the prior-period financial statements should be revised, he or she <b>should</b> follow the guidance in</p>						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		paragraphs .14–.15 and .23–.24.						
200	.23	A predecessor's knowledge of the current affairs of his or her former client is obviously limited in the absence of a continuing relationship. Consequently, when reissuing his or her report on the prior-period financial statements, a predecessor <b>should</b> use the date of his or her previous report to avoid any implication that he or she has performed procedures after that date other than those described in paragraphs .20–				Paragraph 2.62		SSARS No. 21 does not include requirements with respect to reissued reports.

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		.22. If the predecessor revises his or her report or if the financial statements are restated, he or she <b>should</b> dual-date his or her report (for example, "March 1, 20X1, except for note X, as to which the date is March 15, 20X2"). The predecessor's responsibility for events occurring subsequent to the completion of his or her engagement is limited to the specific event referred to in the note or otherwise disclosed. He or she <b>should</b> also obtain a written statement from the former client						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		setting forth the information currently acquired and its effect on the prior-period financial statements and, if applicable, expressing an understanding of its effect on the predecessor's reissued report.						
200	.24	If a predecessor is unable to complete the procedures described in paragraphs .20–.23, he or she <b>should</b> not reissue his or her report and may wish to consult with his or her attorney regarding the appropriate course of action.						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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200	.25	When prior-period financial statements have been restated, the predecessor accountant would normally reissue his or her report following the guidance in paragraph .22. If the predecessor decides not to reissue his or her report, the successor accountant may be engaged to report on the financial statements for the prior year. If the predecessor accountant does not reissue his or her report and the successor accountant is not engaged to report on the prior year financial				Paragraph 2.62	Paragraph 1.172	SSARS No. 21 does not include guidance on performing a compilation or a review of restatement adjustments.



Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		statements, the successor accountant <b>should</b> indicate in the introductory paragraph of his or her compilation or review report that a predecessor accountant reported on the financial statements of the prior period before restatement. In addition, if the successor accountant is engaged to compile or review the restatement adjustment(s), he or she may also indicate in the accountant's report that he or she compiled or reviewed the						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		adjustment(s) that was (were) applied to restate prior-year financial statements.						
200	.29	When the current-period financial statements of a nonissuer have been compiled or reviewed and those of the prior period have been audited, the accountant <b>should</b> issue an appropriate compilation or review report on the current-period financial statements and, if the auditor's report on the prior period financial statements is not reissued, the report on the		Paragraph .50		Paragraph 2.56		SSARS 21 does not include requirements/guidance when the prior year financial statements were audited and the current year subject to a compilation engagement.

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		current period <b>should</b> include as a separate paragraph an appropriate description of the responsibility assumed for the financial statements of the prior period. The separate paragraph <b>should</b> indicate (a) that the financial statements of the prior period were audited previously, (b) the date of the previous report, (c) the type of opinion expressed previously, (d) if the opinion was other than unmodified, the substantive reasons therefor,						

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

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		and (e) that no auditing procedures were performed after the date of the previous report.						

Pre-SSARS 21 Interpretations

Reporting on Comparative Financial Statements: Accounting and Review Services Interpretations of Section 200

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Interpretation	SSARS 21	Guide Chapter – Preparation	Guide Chapter – Compilation	Guide Chapter – Review
<p><b>1. Reporting on Financial Statements That Previously Did Not Omit Substantially All Disclosures</b></p> <p><b>.01 Question</b>—Paragraph .30 of section 200, <i>Reporting on Comparative Financial Statements</i>, states that an accountant who has compiled, reviewed, or audited financial statements that do not omit substantially all of the disclosures required by an applicable financial reporting framework may subsequently compile financial statements for the same period that do omit substantially all of those disclosures when they are to be presented in comparative financial statements. In these circumstances, section 200 requires the accountant's compilation report to include an additional paragraph indicating (a) the nature of the service rendered with respect to the financial statements that previously did not omit substantially all disclosures and (b) the date of the accountant's previous report.</p> <p><b>.02</b> When the accountant has previously audited such financial statements, the accountant may have issued a modified opinion on the financial statements (a qualified opinion, an adverse opinion, or a disclaimer of opinion; see AU-C section 705, <i>Modifications to the Opinion in the Independent Auditor's Report</i>). What effect, if any, should this have on the accountant's compilation report on the comparative financial statements? Also, when the accountant has previously compiled or reviewed such financial statements, what effect should a modification to the accountant's compilation or review report have on the accountant's compilation report on the comparative financial statements?</p> <p><b>.03 Interpretation</b>—If financial statements that omit substantially all disclosures are compiled from financial statements that the accountant has previously audited, the accountant's compilation report on the comparative financial statements should indicate whether the accountant modified the opinion on the audited financial statements, and the substantive reasons therefor. Similarly, if the accountant issued a modified compilation or review report or a report containing any paragraphs emphasizing a matter regarding the financial statements on financial statements that previously did not omit substantially all disclosures, the accountant's reference to that report in the accountant's compilation report on the</p>				

Disposition of AR section 200 requirements and interpretations  
ARSC Meeting, October 27-29, 2015

Interpretation	SSARS 21	Guide Chapter – Preparation	Guide Chapter – Compilation	Guide Chapter – Review
<p>comparative financial statements should include a description or a quotation of any modifications of the standard report and of any paragraphs emphasizing a matter regarding the financial statements.</p> <p><b>.04</b> Statements on Standards for Accounting and Review Services do not require an accountant to modify the standard compilation report for an uncertainty or an inconsistency in the application of an applicable financial reporting framework. When the accountant's compilation report on comparative financial statements that omit substantially all of the disclosures required by the applicable financial reporting framework includes a reference to a previous audit report that includes an emphasis-of-matter paragraph describing an uncertainty, users may assume, in the absence of an indication to the contrary, that the uncertainty has been resolved. Thus, in such circumstances, in accordance with paragraph .25 of section 80, <i>Compilation of Financial Statements</i>, the accountant may emphasize the uncertainty in a separate paragraph of that portion of the accountant's report that relates to the financial statements for the current period.</p>				