

## Agenda Item 3A



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

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<p>1. This amendment revises AR-C section 90 to:</p> <ul style="list-style-type: none"><li>• preclude the accountant from referencing, in the accountant's review report, the review or audit report of other accountant if such other accountant's report is restricted as to use</li><li>• provide review reporting requirements and guidance when the accountant decides to make reference to the review or audit of other accountants who review or audit the financial statements of a significant component which are prepared using a different financial reporting framework from that used for the financial statements of the reporting entity</li><li>• provide guidance when the accountant decides to make reference to the review or audit of other accountants of financial statements of a significant component and the other accountant's review or audit is performed in accordance with standards other than SSARs or GAAS</li><li>• provide requirements and guidance when a review is performed in accordance with SSARs and</li></ul>	

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<p>another set of review standards</p> <ul style="list-style-type: none"> <li>provide requirements and guidance when financial statements are prepared in accordance with a financial reporting framework generally accepted in another country.</li> </ul>	
<p>Effective Date</p>	
<p>2. This section is effective for reviews of financial statements for periods ending on or after December 15, 2017. Early implementation is permitted.</p>	
<p>3. New language is shown in boldface italics; deleted language is shown by strikethrough.</p>	
<p><i>Accountant's Review Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country</i></p>	<p><i>Accountant's Review Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country</i></p>
<p>Use Only Outside the United States</p>	<p>Use Only Outside the United States (<i>Ref: par. .45b(iii)</i>)</p>
<p><b><i>.45 If the accountant is reporting on financial statements prepared in accordance with a financial reporting framework generally accepted in another country that are intended for use only outside the United States, the accountant should report using either</i></b></p> <p><b><i>a. a report that includes the elements required by paragraph .39 that reflects that the financial statements being reported on have been prepared in accordance with a financial reporting framework generally accepted in another country and a statement that refers to the note to the financial statements that describes the basis of</i></b></p>	<p><b><i>.A83 Even when the form and content of the accountant's review report used in another country appears similar to that used in the United States of America, the report may convey a different meaning and entail different legal responsibilities for the accountant due to custom or culture. Issuing a report of another country may require the accountant to report on statutory compliance or otherwise require understanding of local laws and regulations. Depending on the nature and extent of the accountant's knowledge and experience, the accountant may consult with persons having expertise in the review reporting practices of the other country and associated legal</i></b></p>

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<p><i>presentation of the financial statements on which the accountant is reporting, including identification of the country of origin of the accounting principles, or</i></p> <p><b>b. the report form and content of the other country (or, if applicable, as set forth in ISRE 2400 (Revised)), provided that</b></p> <ul style="list-style-type: none"> <li><b>i. such a report would be issued by accountants in the other country in similar circumstances,</b></li> <li><b>ii. the accountant understands and has obtained sufficient appropriate review evidence to support the statements contained in such a report, and</b></li> <li><b>iii. the accountant has complied with the reporting standards of that country and identifies the other country in the report. (Ref: par. .A83-.A84)</b></li> </ul>	<p><i>responsibilities to obtain the understanding needed to issue that country's report.</i></p> <p><b>.A84 An entity that prepares financial statements in accordance with GAAP also may prepare financial statements in accordance with a financial reporting framework generally accepted in another country for use outside the United States (for example, financial statements prepared in accordance with a jurisdictional variation of IFRS such that the entity's financial statements do not contain an explicit and unreserved statement of compliance with IFRS as issued by the IASB). In such circumstances, the accountant may report on the financial statements that are in accordance with a financial reporting framework generally accepted in another country by reporting in accordance with paragraph .45. The accountant may include in one or both of the reports a statement that another report has been issued on the financial statements for the entity that have been prepared in accordance with a financial reporting framework generally accepted in another country. The accountant's statement may also reference any note disclosure in the financial statements that describes significant differences between the accounting principles used and GAAP. An example of such a statement, which may be included in an emphasis-of-matter paragraph, is as follows:</b></p> <p style="padding-left: 40px;"><b>We also have reported separately on the financial statements of ABC Company for the same period presented in accordance with [specify the financial reporting framework generally accepted] in [name of</b></p>

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	<p>country]. <i>(The significant differences between the [specify the financial reporting framework generally accepted] in [name of country] and accounting principles generally accepted in the United States of America are summarized in Note X.)</i></p>
<p>Use in the United States</p>	<p>Use in the United States (<i>Ref: par. .46</i>)</p>
<p><i>.46 If financial statements prepared in accordance with a financial reporting framework generally accepted in another country also are intended for use in the United States of America, the accountant should report in accordance with paragraph .39. In addition, the accountant should include in the accountant's review report an emphasis-of-matter paragraph in accordance with paragraphs .57-.58 that</i></p> <ul style="list-style-type: none"> <li><i>a. identifies the financial reporting framework used in the preparation of the financial statements,</i></li> <li><i>b. refers to the note to the financial statements that describes that framework, and</i></li> <li><i>c. indicates that such framework differs from accounting principles generally accepted in the United States of America. (Ref: par. .A85)</i></li> </ul>	<p><i>.A85 When reporting on financial statements prepared in accordance with a financial reporting framework generally accepted in another country that will be used in the United States of America and outside the United States of America, the accountant may issue two reports: one of the reports described in paragraph .45 for use outside the United States of America and a report in accordance with paragraph .39 with an emphasis-of-matter paragraph, as described in paragraph .46, for use in the United States of America.</i></p>
<p><i>Accountant's Review Report for Reviews Conducted in Accordance With Both SSARSs and Another Set of Review Standards</i></p>	<p><i>Accountant's Review Report for Reviews Conducted in Accordance With Both SSARSs and Another Set of Review Standards (Ref: par. 47)</i></p>
<p><i>.47 Paragraph .39e(i) requires that the written review report include a statement that the accountant's</i></p>	<p><i>.A86 If the review is performed in accordance with both SSARSs and ISRE 2400 (Revised), the accountant may find</i></p>

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<p><i>responsibility is to conduct the review engagement in accordance with SSARSs promulgated by the Accounting and Review Services Committee of the AICPA. However, an accountant may indicate that the review was also conducted in accordance with another set of review standards (for example, International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements). The accountant should not refer to having conducted a review in accordance with another set of review standards in addition to SSARSs, unless the review was conducted in accordance with both sets of standards in their entirety. (Ref: par. .A86)</i></p> <p><i>.48 When the accountant's review report refers to both SSARSs and another set of review standards, the accountant's review report should identify the other set of review standards, as well as their origin</i></p>	<p><i>it helpful to refer to AR-C appendix, "Reviews Performed in Accordance With International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements". That appendix summarizes incremental planning and performance procedures that an accountant engaged to perform a review in accordance with ISRE 2400 (Revised) would be required to perform.</i></p>
<p><b><i>Reference to the Work of Other Accountants in an Accountant's Review Report</i></b></p> <p><b><i>.7882</i></b> If other accountants audited or reviewed the financial statements of significant components, such as consolidated and unconsolidated subsidiaries and investees, and the accountant of the reporting entity decides not to assume responsibility for the audit or review performed by the other accountants, the accountant of the reporting entity should make</p>	<p><b><i>Reference to the Work of Other Accountants in an Accountant's Review Report</i></b> (Ref: par. <del>.7882</del>)</p> <p><b><i>.A125A129</i></b> The accountant of the reporting entity may make reference to any or all other accountants who audited or reviewed significant components. For example, if a significant component is audited or reviewed by an other accountant and a second significant component is audited or reviewed by a different other accountant, the accountant of the reporting entity may decide to make</p>

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<p>reference to the review or audit of such other accountants in the accountant's review report. In that instance, the accountant should clearly indicate in the accountant's review report that the accountant used the work of other accountants and should include the magnitude of the portion of the financial statements audited or reviewed by the other accountants. (Ref: par. <del>.A125-.A127.</del><b>A129-.A131</b>)</p> <p><b>.83 Reference to the audit or review of other accountants in the accountant's review report on the reporting entity should not be made unless the other accountants issued an auditor's or an accountant's review report that is not restricted as to use.</b></p> <p><del>.79</del><b>84</b> Regardless of whether the accountant of the reporting entity decides to make reference to the review or audit of other accountants, the accountant</p>	<p>reference to one of the other accountants, both of the other accountants, or neither. The decision is solely at the discretion and judgment of the accountant of the reporting entity.</p> <p><del>.A126</del><b>A130</b> The disclosure of the magnitude of the portion of the financial statements audited or reviewed by other accountants may be achieved by stating the dollar amounts or percentages of total assets, total revenues, other appropriate criteria, or a combination of these, whichever most clearly describes the portion of the financial statements audited or reviewed by other accountants. When two or more other accountants participate in the audit or review, the dollar amounts or the percentages covered by the other accountants may be stated in the aggregate.</p> <p><del>.A127</del><b>A131</b> Exhibit C contains an example of appropriate reporting in the accountant's review report when reference is made to the audit or review of significant components, such as consolidated and unconsolidated subsidiaries and investees, by other accountants.</p>

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<p>of the reporting entity should communicate with the other accountants and ascertain <b>that</b></p> <ul style="list-style-type: none"> <li>a. <del>that</del> the other accountants are aware that the financial statements of the component that the other accountants have audited or reviewed are to be included in the financial statements on which the accountant of the reporting entity will report and that the other accountants' report thereon will be relied upon (and, where applicable, referred to) by the accountant of the reporting entity.</li> <li>b. <u>that</u> the other accountants are familiar with the applicable financial reporting framework and with SSARSs or auditing standards generally accepted in the United States of America, as applicable, and will conduct the review or audit in accordance therewith. <b>(Ref: par. A132)</b></li> <li>c. <del>that</del> a review will be made of matters affecting elimination of intercompany transactions and accounts and, if appropriate in the circumstances, the uniformity of accounting practices among the components included in the financial statements.</li> </ul>	<p>Determining Whether the Other Accountants Are Familiar with SSARSs or Auditing Standards Generally Accepted in the United States of America, as Applicable <b>(Ref: par. .84b)</b></p> <p><b>.A132 An other accountant's review report stating that the review was conducted in accordance with SSARSs or an auditor's report stating that the audit was conducted in accordance with GAAS or, if applicable, the auditing standards promulgated by the PCAOB is sufficient to make the determination required by paragraph .80b. When the other accountant has performed a review of the component financial statements in accordance with standards other than SSARSs or an audit of the component financial statements in accordance with auditing standards other than GAAS or, if applicable, the auditing standards promulgated by the PCAOB, the accountant of the reporting entity may evaluate, exercising professional judgment, whether the engagement performed by the other accountant meets the relevant requirements of SSARSs or GAAS as applicable. For the purposes of complying with paragraph .80b, relevant requirements of SSARSs or GAAS are those that pertain to planning and</b></p>

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<p><b>.85 If the component's financial statements are prepared using a different financial reporting framework from that used for the financial statements of the reporting entity, reference to the review or audit of the other accountants in the review report of the accountant of the reporting entity should not be made unless:</b></p> <p><b>a. the measurement, recognition, presentation, and disclosure criteria that are applicable to all material items in the component's financial statements in accordance with the financial reporting framework used by the component are similar to the criteria that are applicable to all material items in the reporting entity's financial statements in accordance with</b></p>	<p><b>performing the engagement on the component financial statements and do not include those related to the form of the accountant's review or the auditor's report. Reviews performed in accordance with International Standard on Review Engagements 2400 (Revised) and audits performed in accordance with International Standards on Auditing (ISAs), both of which are promulgated by the International Auditing and Assurance Standards Board (IAASB), are more likely to meet the relevant requirements of SSARSs and GAAS, respectively, than reviews or audits performed in accordance with review and auditing standards promulgated by bodies other than the IAASB. The other accountants may perform additional procedures in order to meet the relevant requirements of SSARSs or GAAS. The accountant of the reporting entity, having determined that all relevant requirements of SSARSs or GAAS have been met by the other accountant, may decide to make reference to the review or audit of that other accountant in the accountant's review report on the reporting entity's financial statements.</b></p> <p>Determining Whether to Make Reference When the Financial Reporting Framework is Not the Same (<i>Ref: par. .85b</i>)</p> <p><b>.A133 The greater the number of differences or the greater the significance of the differences between the criteria used for measurement, recognition, presentation, and</b></p>

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<p><i>the financial reporting framework used by the reporting entity, and</i></p> <p><i>b. the accountant of the reporting entity has obtained sufficient appropriate review evidence for purposes of evaluating the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the reporting entity without the need to assume responsibility for, and thus, be involved in, the work of the other accountants. (Ref: par. A133)</i></p>	<p><i>disclosure of all material items in the component's financial statements in accordance with the financial reporting framework used by the component and the financial reporting framework used by the reporting entity, the less similar they are. Financial statements prepared and presented in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Standard for Small- and Medium-sized Entities, as issued by the International Accounting Standards Board, are generally viewed as more similar to financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) than financial statements prepared and presented in accordance with jurisdiction-specific reporting frameworks or adaptations of IFRSs. In most cases, special purpose frameworks are not similar to GAAP.</i></p>