



**Agenda Item 2A**

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**EXPOSURE DRAFT**

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**PROPOSED STATEMENT ON STANDARDS FOR  
ACCOUNTING AND REVIEW SERVICES**

*AMENDMENT TO STATEMENT ON STANDARDS FOR ACCOUNTING AND REVIEW  
SERVICES NO. 21 SECTION 90, REVIEW OF FINANCIAL STATEMENTS*

**December X, 2016**

**Comments are requested by April 21, 2017**

**Prepared by the AICPA Accounting and Review Services Committee for comment from persons  
interested in review and reporting issues**

**Comments should be addressed to Mike Glynn at [mglynn@aicpa.org](mailto:mglynn@aicpa.org)**



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## **EXPLANATORY MEMORANDUM**

### **Introduction**

This memorandum provides background on the proposed Statement on Standards for Accounting and Review Services (SSARS) *Amendment to Statement on Standards for Accounting and Review Services No. 21 Section 90, Review of Financial Statements*.

The proposed SSARS will amend AR-C section 90, *Review of Financial Statements* (AICPA, *Professional Standards*), to:

- Provide requirements and guidance when financial statements are prepared in accordance with a financial reporting framework generally accepted in another country
- Provide requirements when a review is performed in accordance with both SSARSs and another set of review standards
- Preclude the accountant from referencing, in the accountant's review report, the review or audit report of other accountants if such accountant's report is restricted as to use
- 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 SSARSs or accounting principles generally accepted in the United States of America (GAAS)
- 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

### **Background**

Subsequent to the issuance of SSARS No. 21, certain practice issues were identified that accountants may encounter with respect to using the work of other accountants as well as international compilation and review standards or international accounting standards. ARSC determined to revise AR-C section 90 to provide requirements and guidance in those situations.

### **Format of the Exposure Draft**

This exposure draft is presented in columnar format in which requirements and related application guidance are presented side-by-side instead of in the more customary sequential presentation. This approach has been efficient for the ARSC in developing and reviewing the proposed SSARSs, and it is used here for the benefit of respondents. The resulting SSARSs will be issued in the traditional format.

### **Effective Date**

It is anticipated that the proposed SSARS will be effective for reviews of financial statements for periods ending on or after June 15, 2018.

### **Changes From Existing Standards**

The proposed SSARS:

- Adds paragraphs .45-.46 and .A83-.A85 to AR-C section 90 to provide requirements and guidance when financial statements are prepared in accordance with a financial reporting framework generally accepted in another country
- Adds paragraphs .47-.48 to AR-C paragraph 90 to provide requirements when a review is performed in accordance with both SSARSs and another set of review standards

### **Specific Request for Comment**

The requirements with respect to a review performed in accordance with SSARSs and International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements* are substantially the same. However, there are certain incremental planning and performance procedures that an accountant engaged to perform a review in accordance with ISRE 2400 (Revised) would be required to perform. The ARSC has not presented a summary of those incremental procedures. Respondents are asked to respond specifically as to whether they would find value in a high level analysis of the differences between AR-C section 90 and ISRE 2400 (Revised) and provide reasoning.

- Adds paragraph .83 to AR-C section 90 to preclude the accountant from referencing, in the accountant's review report, the review or audit report of other accountants if such accountant's report is restricted as to use
- Adds paragraph .A131 to AR-C section 90 to 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 SSARSs or GAAP
- Adds paragraphs .85 and .A132 to AR-C section 90 to 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

ARSC is not proposing any other modifications to SSARSs.

### **Guide for Respondents**

ARSC is seeking comments on the specific request for comment on whether respondents would find value in a high level analysis of the differences between AR-C section 90 and ISRE 2400 (Revised) as posed in the preceding "Changes From Existing Standards" section of this document.

Additionally, ARSC requests comments on specific paragraphs in the proposed SSARS. Comments are most helpful when they refer to specific paragraphs, include the reasons for the

comments, and (when appropriate) make specific recommendations for any suggested changes to wording. When a respondent agrees with proposals in the exposure draft, it will be helpful for ARSC to be made aware of this view, as well.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available for public inspection at the AICPA offices after December 16, 2016, for a period of one year. Responses should be sent to Mike Glynn at [mglynn@aicpa.org](mailto:mglynn@aicpa.org) by December 16, 2016.

### **Comment Period**

The comment period for this exposure draft ends on April 21, 2017.

**Accounting and Review Services Committee**  
(2015–2016)

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Richard I. Miller  
*Special Counsel*

**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 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 AR-C section 90 to:
  - a. Provide requirements and guidance when financial statements are prepared in accordance with a financial reporting framework generally accepted in another country
  - b. Provide requirements when a review is performed in accordance with both SSARSs and another set of review standards
  - c. Preclude the accountant from referencing, in the accountant's review report, the review or audit report of other accountants if such accountant's report is restricted as to use
  - d. 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 SSARSs or accounting principles generally accepted in the United States of America (GAAS)
  - e. 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
2. New language is shown in boldface italics; deleted language is shown by strikethrough.
3. These amendments are effective for reviews of financial statements for periods ending on or after June 15, 2018. Early implementation is permitted.



Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<i>Accountant’s Review Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country</i>	<i>Accountant’s Review Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country</i>
Use Only Outside the United States	Use Only Outside the United States ( <i>Ref: par. .45b(iii)</i> )
<p><b>.45</b> <i>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></p> <ul style="list-style-type: none"> <li><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 presentation of the financial statements on which the accountant is reporting, including identification of the country of origin of the accounting principles, or</i></li> <li><i>b. the report form and content of the other country (or, if applicable, as set forth in ISRE 2400 (Revised)), provided that</i> <ul style="list-style-type: none"> <li><i>i. such a report would be issued by accountants in the other country in similar circumstances,</i></li> <li><i>ii. the accountant understands and has obtained sufficient appropriate review</i></li> </ul> </li> </ul>	<p><b>.A83</b> <i>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 responsibilities to obtain the understanding needed to issue that country’s report.</i></p> <p><b>.A84</b> <i>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</i></p>

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p><i>evidence to support the statements contained in such a report, and</i></p> <p><i>iii. the accountant has complied with the reporting standards of that country and identifies the other country in the report. (Ref: par. .A83-.A84)</i></p>	<p><i>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:</i></p> <p><i>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 country]. (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>

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p><i>Accountant’s Review Report for Reviews Conducted in Accordance With Both SSARs and Another Set of Review Standards</i></p>	
<p><i>.47 Paragraph .39e(i) requires that the written review report include a statement that the accountant’s responsibility is to conduct the review engagement in accordance with SSARs 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 SSARs, unless the review was conducted in accordance with both sets of standards in their entirety.</i></p> <p><i>.48 When the accountant’s review report refers to both SSARs 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><b>Reference to the Work of Other Accountants in an Accountant’s Review Report</b></p>	<p><b>Reference to the Work of Other Accountants in an Accountant’s Review Report</b> (Ref: par. .7882)</p>



Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p><i>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.</i></p> <p><b>.7984</b> Regardless of whether the accountant of the reporting entity decides to make reference to the review or audit of other accountants, the accountant of the reporting entity should communicate with the other accountants and ascertain <i>that</i></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. <del>that</del> 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. <i>(Ref: par. A131)</i></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 <i>(Ref: par. .84b)</i></p> <p><i>.A131 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,</i></p>

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p>.85 <i>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:</i></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</b></p>	<p><i>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 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.</i></p> <p>Determining Whether to Make Reference When the Financial Reporting Framework is Not the Same (<i>Ref: par. .85b</i>)</p>

<b>Introduction, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>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 the financial reporting framework used by the reporting entity, and</i></p> <p><b>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. A132)</b></p>	<p><i>.A132 The greater the number of differences or the greater the significance of the differences between the criteria used for measurement, recognition, presentation, and 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>