

Agenda Item 1A



Proposed SSARS, Considerations for Compilations and Reviews of Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country or Conducted in Accordance With Both SSARSs and Another Set of Compilation or Review Standards

Note: The following paragraphs of the draft standard utilized AU-C section 910, *Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country* as a base. The redline illustrates the revisions necessary for such requirements and guidance to be relevant for compilations and reviews of financial statements.

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Introduction	
Scope of This Section	
<p>.01 This section addresses circumstances in which an auditor <u>accountant</u> practicing in the United States is engaged to report-perform <u>a compilation or review of financial statements</u>:</p> <p><u>(a) on financial statements</u> that have been prepared in accordance with a financial reporting framework generally accepted in another country not adopted by a body designated by the Council of the AICPA (Council) to establish generally accepted accounting principles (GAAP) (hereinafter referred to as a financial reporting framework generally accepted in another country) when such audited financial statements are intended for use outside the United States. This section is not</p>	

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<p>intended to preclude the use of such audited financial statements in the United States; <u>or</u></p> <p>(a)(b) _____ in accordance with both SSARSs and another set of compilation or review standards.</p>	
<p>.02 Pursuant to the "Compliance With Standards Rule" (ET sec. 1.310.001) and the "Accounting Principles Rule" (ET sec. 1.320.001), the Council designates the bodies to establish GAAP. This section does not apply to financial statements prepared in accordance with financial reporting frameworks established by the bodies designated by the Council. Section 700, <i>Forming an Opinion and Reporting on Financial Statements</i>, applies to engagements to report on such financial statements, including financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).</p>	
<p>.03 This section is applicable to <u>engagements to report on compilations and reviews of</u> 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 in an appropriate note to the financial statements that its financial statements are in compliance with IFRS as promulgated by the IASB.</p>	
<p>.04 This section does not apply to engagements to report on <u>compilations and reviews of</u> financial statements of a U.S. subsidiary of a foreign registrant parent company that are presented in the parent company's filing with the U.S. Securities and Exchange Commission when the subsidiary's financial statements have been prepared in accordance with a financial reporting framework used by the parent company and <u>the compilation or review was performed in accordance with SSARSs. audited in accordance with auditing standards generally accepted in the United States of America (GAAS).</u></p>	
<p>Effective Date</p>	

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
.05 This section is effective for audits of financial statements for periods ending on or after December 15, 2012 20XX.	
Objective	
.06 The objective of the auditor accountant, when engaged to report on perform a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country, when such audited financial statements are intended for use outside the United States, is to address appropriately the special considerations that are relevant to <ul style="list-style-type: none"> a. the acceptance of the engagement, b. the planning and performance of the engagement, and c. forming an opinion and reporting on the financial statements. 	
Requirements	
Considerations When Accepting the Engagement (Ref: par. .A1)	Considerations When Accepting the Engagement (Ref: par. .07–.08 and .12b(iii))
.07 Section 210, Terms of Engagement Paragraph .25b of AR-C section 60, <i>General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services</i> , requires the auditor accountant, as <u>a condition for accepting an engagement to be performed in accordance with SSARS</u> part of establishing whether the preconditions for an audit are present prior to accepting the engagement , to determine the acceptability of whether the financial reporting framework <u>selected by management to be applied in the preparation of the financial statements is acceptable</u> . In an audit <u>compilation or review</u> [MG1]of financial statements prepared in accordance with a financial reporting framework generally accepted in	.A1 In obtaining an understanding of the purpose for which the financial statements are prepared and of the intended users, the auditor accountant may consider whether the intended users are likely to be familiar with the applicable financial reporting framework. For example, if the financial statements are to be used in the United States in addition to the other country(ies) for which they are intended, the auditor accountant may consider whether intended users within the United States deal directly with the entity and whether the financial statements are to be used in a manner that permits such users to discuss with the entity differences from accounting and reporting practices in the United States and their significance. Accordingly, an auditor accountant may conclude that financial statements prepared in accordance with a financial reporting framework generally

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<p>another country, the auditor-accountant should obtain an understanding of <u>(Ref: par. A1)</u></p> <p>a. The purpose for which the financial statements are prepared and whether the financial reporting framework applied in the preparation of the financial statements is a fair presentation framework.</p> <p>b. The intended users of the financial statements.</p> <p>c. The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.</p>	<p>accepted in another country are not appropriate for use in a private placement memorandum to be distributed widely in the United States.</p>
<p>.08 When the auditor-accountant plans to use the form and content of the auditor's-accountant's compilation or review report of another country, the auditor-accountant should obtain an understanding of the applicable legal responsibilities involved. (Ref: par. <u>.A8A2</u>)</p>	<p>.A8-A2 Even when the form and content of the auditor's-accountant's compilation or review report used in another country appears similar to that used in the United States, the report may convey a different meaning and entail different legal responsibilities for the auditor-accountant due to custom or culture. Issuing a <u>compilation or review</u> report of another country may require the auditor-accountant to report on statutory compliance or otherwise require understanding of local laws and regulations. When issuing the auditor's-accountant's compilation or review report of another country, the auditor-accountant is required by paragraph .08 to obtain an understanding of applicable legal responsibilities, in addition to the <u>auditing compilation or review</u> standards and the financial reporting framework generally accepted in the other country, as required by paragraphs .07 and .10-.11. Accordingly, depending on the nature and extent of the auditor's-accountant's knowledge and experience, the auditor-accountant may consult with persons having expertise in the <u>audit compilation or review</u> reporting practices of the other country and associated legal responsibilities to obtain the understanding needed to issue that country's <u>compilation or review</u> report.</p>

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<p>Performance (Ref: par. .A2 .A3)</p> <p>.09 When auditing performing a compilation or review of 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 auditor <u>accountant</u> should comply with <u>GAAS</u> AR-C sections 80 and 90, respectively, except for requirements related to the form and content of the report in the situation described in paragraph .12. The auditor <u>accountant</u> should determine whether the application of <u>GAAS</u> SSARs requires special consideration in the circumstances of the engagement.</p>	<p>Performance (Ref: par. .09 .10)</p> <p>.A2 The accounting principles used to prepare financial statements in accordance with a financial reporting framework generally accepted in another country may differ from those used to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, and such differences may affect the auditor's risk assessment and design of further audit procedures. For example, the financial reporting framework generally accepted in another country may require that certain assets be revalued to adjust for the effects of inflation—in which case, the auditor may find it necessary to perform procedures to test the revaluation adjustments. As another example, a particular country's financial reporting framework may not require or permit recognition of deferred taxes; consequently, procedures for testing deferred tax balances would not be applicable.</p>
<p>.10 <u>Section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatements, Paragraph .13 of AR-C section 80</u> requires the auditor <u>accountant, as part of the compilation engagement,</u> to obtain an understanding of the entity's selection and application of accounting policies <u>applicable financial reporting framework and the significant accounting policies intended to be used in the preparation of the financial statements.</u> <u>Paragraphs .15-.16 of AR-C section 90</u> requires the accountant, as part of the review engagement, to obtain an understanding of the accounting principles and practices used by the entity sufficient to identify areas in the financial statements where there is a greater likelihood that material misstatements may arise and to be able to design procedures to address those areas. When reporting performing a compilation or review on financial statements prepared in accordance with a financial reporting framework generally accepted in another country, the auditor <u>accountant</u> should obtain an understanding of such framework. (Ref: <u>par. .A3</u>)</p>	<p>.A3 An understanding of the financial reporting framework generally accepted in another country may be obtained by reading the statutes or professional literature, or codifications thereof, which establish or describe the financial reporting framework generally accepted in the other country. Often, the application of accounting principles to a particular situation requires practical experience, and accordingly, the auditor <u>accountant</u> may consult with persons having expertise in applying the financial reporting framework of the other country.</p>

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<p>Application of <u>Auditing—Compilation or Review Standards of Another Country</u></p>	<p>Application of <u>Auditing—Compilation or Review Standards of Another Country</u> (Ref: par. .11)</p>
<p>.11 If the <u>auditor-accountant</u> is engaged to <u>audit-perform a compilation or review of</u> financial statements prepared in accordance with a financial reporting framework generally accepted in another country, and the agreed-upon terms of engagement require the <u>auditor-accountant</u> to apply <u>either</u> the <u>auditing-Compilation or Review Standards of that country, or—International Standards on Auditing—Related Services 4410 (Revised), Compilation Engagements (ISRS 4410 (Revised)), or ISRE 2400 (Revised), Engagements to Review Historical Financial Statements (ISRE 2400 (Revised))(ISAs)</u>, the <u>auditor-accountant</u> should obtain an understanding of and apply those relevant <u>auditing</u>-standards, as well as <u>GAASSSARSs</u>, except for requirements related to the form and content of the report in the situation described in paragraph .12. (Ref: par. .A4–.A6)</p>	<p>.A4 Applying <u>either</u> the <u>auditing-Compilation or Review Standards of another country, ISRS 4410 (Revised) or the ISAsISRE 2400 (Revised)</u> may require the <u>auditor-accountant</u> to perform procedures in addition to those procedures required by <u>GAASSSARSs</u>.</p> <p>.A5 An understanding of the <u>auditing-Compilation or Review Standards of another country, ISRS 4410 (Revised), or the ISAsISRE 2400 (Revised)</u> may be obtained by reading the statutes or professional literature, or codifications thereof, which establish or describe such standards.</p> <p>.A6 Statutes or professional literature, or codifications thereof, however, may not include a complete description of the <u>auditing-Compilation or Review Practices in another country</u>. The <u>auditor-accountant</u> may consult with persons having expertise in, including practical experience in applying, the <u>auditing-Compilation or Review Standards of the other country, ISRS 4410 (Revised) or the ISAsISRE 2400 (Revised)</u>, as relevant.</p>
<p>Reporting</p>	<p>Reporting (Ref: par. .08, and .12a–, and .13c)</p>
<p>Reporting—<u>Intended for</u> ^[MG2] <u>Use Only Outside the United States</u></p>	<p>.A7 The exhibit "Illustrations of <u>Auditor's—Accountant's Compilation and Review Reports on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country</u>" contains illustrations of auditor's reports on financial statements incorporating the elements required by paragraphs .12–.13.</p>
<p>Reporting—<u>Intended for</u> ^[MG2] <u>Use Only Outside the United States</u></p>	<p>Reporting—<u>Intended for Use Only Outside the United States</u> (Ref: par. .08 and .12b(iii))</p>
<p>.12 If the <u>auditor-accountant</u> is reporting on financial statements prepared in accordance with a financial reporting framework generally accepted in another country that are intended for <u>intended for</u> use only</p>	

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<p>outside the United States, the auditor-accountant should report using either</p> <p><i>a.</i> a U.S. form of report that reflects that the financial statements being reported on have been prepared in accordance with a financial reporting framework generally accepted in another country, including (Ref: par. .A7)</p> <p><i>i.</i> the elements required by section 700<u>AR-C section 80 or AR-C section 90, as applicable</u> and</p> <p><i>ii.</i> a statement that refers to the note to the financial statements that describes the basis of presentation of the financial statements on which the auditor-accountant is reporting, including identification of the country of origin of the accounting principles, or</p> <p><i>b.</i> the report form and content of the other country (or, if applicable, as set forth in the ISAs<u>ISRE 4410 (Revised) or ISRE 2400 (Revised)</u>), provided that</p> <p><i>i.</i> such a report would be issued by auditors-accountants in the other country in similar circumstances,</p> <p><i>ii.</i> the auditor understands <u>the report form and content of the other country</u> [MG3] and has obtained sufficient appropriate audit evidence to support the statements contained in such a report, and</p>	<p>.A9-A8 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</p>

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<p>iii. the auditor has complied with the reporting standards of that country and identifies the other country in the report. (Ref: par. .A8A2 and .A9A8)</p>	<p>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 auditor 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 .12. The auditor 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 auditor's 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 separate paragraph to the accountant's compilation or review report (such paragraph would be an emphasis-of-matter paragraph in an accountant's review report),^[MG4] is as follows:</p> <p style="padding-left: 40px;">We also have reported separately on the financial statements of ABC Company for the same period presented in accordance with [<i>specify the financial reporting framework generally accepted</i>] in [<i>name of country</i>]. (The significant differences between the [<i>specify the financial reporting framework generally accepted</i>] in [<i>name of country</i>] and accounting principles generally accepted in the United States of America are summarized in Note X.)</p>
<p>Reporting—Intended for Use in the United States</p>	<p>Reporting—Intended for Use in the United States (Ref: par. .13c)</p>
<p>.13 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, the auditor accountant should report using the U.S. form of report. In addition, the auditor accountant should include in the auditor's accountant's compilation or review</p>	

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<p>report an emphasis-of-matter <u>separate</u> paragraph <u>to the accountant's compilation or review report</u> that</p> <p>a. identifies the financial reporting framework used in the preparation of the financial statements,</p> <p>b. refers to the note to the financial statements that describes that framework, and</p> <p>c. indicates that such framework differs from accounting principles generally accepted in the United States of America. (Ref: par. .A7 and .A10<u>.A9</u>)</p>	<p>.A10<u>.A9</u> 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 and outside the United States, the auditor-accountant may issue two reports: one of the reports described in paragraph .12 for use outside the United States and the U.S. form of report with an emphasis-of-matter <u>separate</u> paragraph <u>(such paragraph would be an emphasis-of-matter paragraph in an accountant's review report,</u> as described in paragraph .13, for use in the United States.</p>

Note: The following paragraphs of the draft standard utilized paragraphs .42-.43 and .A42 of AU-C section 700, *Forming an Opinion and Reporting on Financial Statements* as a base. The redline illustrates the revisions necessary for such requirements and guidance to be relevant for compilations and reviews of financial statements.

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<p><i>Auditor's Accountant's Report for Audits</i> <u><i>Compilations or Reviews Conducted in Accordance With Both GAAS and SSARSs and Another Set of Auditing Compilation or Review Standards</i></u></p>	<p><i>Auditor's Accountant's Report for Audits</i> <u><i>Compilations or Reviews Conducted in Accordance With Both GAAS SSARSs and Another Set of Auditing Compilation or Review Standards</i></u> (Ref: par. .42<u>.14</u>)</p>
<p>.42<u>.14</u> With respect to a compilation of financial statements, Paragraph paragraph .31-17c of AR-C section 80 requires that the auditor's <u>accountant's compilation</u> report state include a statement that the audit</p>	<p>.A42<u>.A10</u> If the audit <u>review</u> is performed in accordance with both GAAS SSARSs and ISAs<u>ISRE 2400 (Revised)</u>, the auditor-accountant may find it helpful to refer to AUAR-C appendix B, "Substantive Differences Between</p>

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<p>was conducted accountant performed the compilation engagement in accordance with GAAS and identify the United States of America as the country of origin of those standards, SSARSs promulgated by the Accounting and Review Services Committee of the AICPA. With respect to a review of financial statements, paragraph .39e(i) of AR-C section 90 requires that the accountant's review report include a statement that the accountant's responsibility is to conduct the review engagement in accordance with SSARSs promulgated by the Accounting and Review Services Committee of the AICPA. However, an auditor accountant may indicate that the audit compilation or review was also conducted in accordance with another set of auditing compilation or review standards (for example, International Standards on Auditing (ISAs), the standards of the Public Company Accounting Oversight Board, or Government Auditing Standards ISRS 4410 (Revised) or ISRE 2400 (Revised)). The auditor accountant should not refer to having conducted an audit compilation or review in accordance with another set of auditing compilation or review standards in addition to GAAS SSARSs, unless the audit compilation or review was conducted in accordance with both sets of standards in their entirety. (Ref: par. .A42A10)</p>	<p>the International Standards on Auditing ISRE 2400 (Revised) <i>Engagements to Review Historical Financial Statements</i> and Generally Accepted Auditing Standards AR-C section 90, <i>Review of Financial Statements</i>." This appendix summarizes substantive differences between the ISAs ISRE 2400 (Revised) and GAAS SSARSs to assist the auditor accountant in planning and performing an engagement in accordance with ISAs ISRE 2400 (Revised).</p>
<p>.43-15 When the auditor's accountant's compilation or review report refers to both GAAS SSARSs and another set of auditing compilation or review standards, the auditor's accountant's compilation or review report should identify the other set of auditing compilation or review standards, as well as their origin.</p>	

.A11

Exhibit — Illustrations of Accountant's Compilation and Review Reports on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country (Ref: par. .A7)

Illustration 1—U.S. Form of Accountant’s Compilation Report to Report 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

Illustration 2— U.S. Form of Independent Accountant’s Review Report to Report 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

Illustration 3— U.S. Form of Accountant’s Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Also Intended for Use in the United States

Illustration 4— U.S. Form of Independent Accountant’s Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Also Intended for Use in the United States

Illustration 1— U.S. Form of Accountant’s Compilation Report to Report 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

Management is responsible for the accompanying financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X2 and 20X1 and the related statements of income, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements in accordance with [*specify the financial reporting framework generally accepted*] in [*name of country*]. I (We) have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA (and [*identify the standards of other country*]). I (We) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant’s city and state*]

[*Date of the accountant’s report*]

Illustration 2— U.S. Form of Independent Accountant’s Review Report to Report 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

Independent Accountant’s Review Report

[Appropriate Addressee]

I (We) have reviewed the accompanying financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X2 and 20X1, and the related statements of income, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management’s (owners’) financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

Management’s Responsibility for the Financial Statements

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements in accordance with *[specify the financial reporting framework generally accepted]* in *[name of country]*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant’s Responsibility

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA (and *[identify the standards of other country]*). Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with *[specify the financial reporting framework generally accepted]* in *[name of country]*. I (We) believe that the results of my (our) procedures provide a reasonable basis for our conclusion.

Accountant’s Conclusion

Based on my (our) reviews, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with [*specify the financial reporting framework generally accepted*] in [*name of country*].

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's review report*]

Illustration 3— U.S. Form of Accountant's Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Also Intended for Use in the United States

Management is responsible for the accompanying financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X2 and 20X1 and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements in accordance with [*specify the financial reporting framework generally accepted*] in [*name of country*]. I (We) have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA (and [*identify the standards of other country*]). I (We) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

I (We) draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with [*specify the financial reporting framework generally accepted*] in [*name of country*], which is a basis of accounting other than accounting principles generally accepted in the United States of America.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's report*]

Illustration 4— U.S. Form of Independent Accountant’s Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Also Intended for Use in the United States

Independent Accountant’s Review Report

[Appropriate Addressee]

I (We) have reviewed the accompanying financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X2 and 20X1, and the related statements of income, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management’s (owners’) financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

Management’s Responsibility for the Financial Statements

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements in accordance with *[specify the financial reporting framework generally accepted]* in *[name of country]*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant’s Responsibility

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA (and *[identify the standards of other country]*). Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with *[specify the financial reporting framework generally accepted]* in *[name of country]*. I (We) believe that the results of my (our) procedures provide a reasonable basis for our conclusion.

Accountant’s Conclusion

Based on my (our) reviews, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with *[specify the financial reporting framework generally accepted]* in *[name of country]*.

Basis of Accounting

I (We) draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with [*specify the financial reporting framework generally accepted*] in [*name of country*], which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's review report*]

Other Proposed Revisions to AR-C section 90

Note: The proposed revision to AR-C section 90 is to address the requirements and guidance when the accountant references the work of other accountant's in an accountant's review report.

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<p><i>Reference to the Work of Other Accountants in an Accountant's Review Report</i></p> <p>.78 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 reference to the review or audit of such other accountants in the accountant's</p>	<p><i>Reference to the Work of Other Accountants in an Accountant's Review Report</i> (Ref: par. .78)</p> <p>.A125 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 reference to one of the other accountants, both of the other accountants, or neither. The</p>

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. .A125–.A127)

.79 *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.*

Determining Whether the Other Accountants Are Familiar with SSARSs or Auditing Standards Generally Accepted in the United States of America, as Applicable

.7980 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 *that*

decision is solely at the discretion and judgment of the accountant of the reporting entity.

.A126 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.

.A127 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.

Determining Whether the Other Accountants Are Familiar with SSARSs or Auditing Standards Generally Accepted in the United States of America, as Applicable (*Ref: par. .80b*)

.A128 *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,*

- a. ~~that~~ 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.
- b. ~~that~~ 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. **(Ref: par. A128)**
- c. ~~that~~ 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.

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 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

Determining Whether to Make Reference When the Financial Reporting Framework is Not the Same

.81 *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:*

- 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 the financial reporting framework used by the reporting entity, and*
- 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. A129)*

[Extant paragraphs .80–.92 are renumbered to paragraphs .82–.94. The content is unchanged.]

accountant's review report on the reporting entity's financial statements.

Determining Whether to Make Reference When the Financial Reporting Framework is Not the Same (**Ref: par. .81b**)

.A129 *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.*

[Extant paragraphs .A128–.A147 are renumbered to paragraphs .A130–.A149. The content is unchanged.]

Proposed revision to definition of “financial reporting framework” in paragraph .06 of AR-C section 70; paragraph .05 of AR-C section 80; and paragraph .05 of AR-C section 90:

Financial reporting framework. A set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in the financial statements (for example, accounting principles generally accepted in the United States of America [U.S. GAAP]), International Financial Reporting Standards promulgated by the International Accounting Standards Board, or a special purpose framework).

The term *fair presentation framework* is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and

a. acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or

b. acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.

A financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgments in (a) or (b) is not a fair presentation framework.