



Agenda Item 2A

EXPOSURE DRAFT

PROPOSED STATEMENT ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES

INTERNATIONAL REPORTING ~~CONSIDERATIONS~~ ISSUES

&

*AMENDMENT TO REQUIREMENTS WHEN REFERENCING THE WORK OF OTHER
ACCOUNTANT-S IN AN ACCOUNTANT'S REVIEW REPORT*

(To amend Statement on Standards for Accounting and Review Services No. 21, Statements on Standards for Accounting and Review Services: Clarification and Recodification, AR-C sections 70, Preparation of Financial Statements, 80, Compilation Engagements, and 90, Review of Financial Statements to create new AR-C section 100, International Reporting Issues; and to withdraw Interpretation No. 1, Considerations Related to Reviews Performed in Accordance With International Standard on Review Engagements (ISRE) 2400 (Revised) to AR-C section 90 [AICPA, Professional Standards].)

~~May 1~~ June 29, 2017

Comments are requested by ~~July 13~~ September 29, 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 mike.glynn@aicpa-cima.com

International Reporting Issues
Draft SSARS with Wrap Material
May 9-11, 2017



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EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background on the proposed Statement on Standards for Accounting and Review Services (SSARS) *International Reporting Issues and Amendment to Requirements When Referencing the Work of Other Accountants in an Accountant's Review Report*.

The proposed SSARS will result in:

- New AR-C section 100, *International Reporting Issues*
- New paragraphs .79, .81 and .A128-.A129 of AR-C section 90
- Revised paragraph .06 of AR-C section 70; paragraph .05 of AR-C section 80; and .05 of AR-C section 90

The accompanying proposed standard applies the Accounting and Review Services Committee's (ARSC's) clarity drafting conventions.

International Reporting Issues

In accordance with paragraph .10 of AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*, the accountant must perform a review, compilation, or an engagement to prepare financial statements in accordance with SSARSs, except for certain reviews of interim financial information as discussed in section 90, *Review of Financial Statements*. AR-C section 100 addresses those circumstances in which an accountant is engaged to perform a compilation or review of financial statements:

(a) that have been prepared in accordance with a financial reporting framework generally accepted in another country (hereinafter referred to as 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); or

(b) in accordance with both SSARSs and another set of compilation or review standards

~~The proposed SSARS will result in a new AR-C section 100, *International Reporting Issues*. That new AR-C section will:~~

- ~~• 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~~

The standard will also move the guidance in Interpretation No. 1, *Considerations Related to Reviews Performed in Accordance With International Standard on Review Engagements (ISRE) 2400 (Revised)* to the SSARSs proper and will result in the withdrawal of the interpretation.

It is not anticipated that the standard will result in significant change in practice but instead will provide supplemental requirements and guidance for applying AR-C sections 80 and 90 to compilations and reviews of financial statements that are prepared in accordance with a financial reporting framework generally accepted in another country or when the review is performed in accordance with both SSARSs and another set of review standards.

Additionally, since the proposal will result in the introduction of a *fair presentation framework* to the SSARSs, the proposed standard will amend paragraph .06 of AR-C section 70, *Preparation of Financial Statements*; paragraph .05 of AR-C section 80, *Compilation Engagements*; and paragraph .05 of AR-C section 90, *Review of Financial Statements* to revise the definition of *financial reporting framework* to clarify the term *fair presentation framework*. The clarified definition is consistent with the definition included in the auditing literature.

Amendment to Requirements When Referencing the Work of Other Accountants in an Accountant's Review Report

The proposed SSARSs includes amendments to paragraphs.78-.79 of AR-C section 90, *Review of Financial Statements* (AICPA, *Professional Standards*) that ~~—Those amendments~~ will:

- 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, in the accountant's review report, to the review or audit report 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 auditing standards 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

The ARSC determined that SSARSs should include requirements and guidance when an accountant is engaged to perform a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country or in accordance with both SSARSs and another set of compilation or review standards.

Additionally, 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 part of the accountant's review of financial statements. 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 compilations and reviews of financial statements for periods ending on or after December 15, ~~2018~~2019.

Changes From Existing Standards

International Reporting Issues

The proposed SSARS:

- Adds AR-C section 100 to provide requirements and guidance when an accountant is engaged to perform a compilation or review of financial statements:
 - ~~financial statements are that have been~~ prepared in accordance with a financial reporting framework generally accepted in another country
 - ~~a~~ and the compilation or review is to be performed in accordance with both SSARSs and another set of compilation or review standards
- Amends the definition of *financial reporting framework* included in paragraph .06 of AR-C section 70, *Preparation of Financial Statements*; paragraph .05 of AR-C section 80, *Compilation Engagements*; and paragraph .05 of AR-C section 90, *Review of Financial Statements* to clarify the term *fair presentation framework*.

Specific Requests for Comment

The ARSC requests that respondents provide specific feedback as to whether any additional requirements or guidance is necessary with respect to performing or reporting on:

- a) financial statements prepared in accordance with a financial reporting framework generally accepted in another country, or
- b) an engagement performed in accordance with both SSARSs and another set of compilation or review standards.

The ARSC further requests that respondents provide specific feedback as to whether the proposal that the new requirements and guidance be codified as a new AR-C section 100 or, if it would be easier to implement and understand if such requirements and guidance were incorporated into AR-C sections 80 and 90.

Amendment to Requirements When Referencing the Work of Other Accountants in an Accountant's Review Report

- Adds paragraph .79 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 .A128 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 GAAS
- Adds paragraphs .81 and .A129 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 requests for comment on whether, as posed in the preceding "Changes From Existing Standards" section of this document, any additional requirements or guidance is necessary with respect to performing or reporting on:

- a) financial statements prepared in accordance with a financial reporting framework generally accepted in another country, or
- b) an engagement performed in accordance with both SSARSs and another set of compilation or review standards.

[The ARSC is also seeking comments on the specific request for comment on whether the proposal that the new requirements and guidance be codified as a new AR-C section 100 or, if it would be easier to implement and understand if such requirements and guidance were incorporated into AR-C sections 80 and 90.](#)

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 ~~July 13~~September 29, 2017, for a period of one year. Responses should be sent to Mike Glynn at mike.glynn@aicpa-cima.com by ~~July 13~~September 29, 2017.

Comment Period

The comment period for this exposure draft ends on ~~July 13~~September 29, 2017.

Accounting and Review Services Committee
(2016–2017)

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Agenda Item 2A

Proposed SSARS, *International Reporting Issues and Amendment to Requirements When Referencing the Work of Other Accountants in an Accountant's Review Report*

Proposed AR-C section 100, *International Reporting Issues*

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
Introduction	
Scope of This Section	
<p>.01 Pursuant to paragraph .10 of section 60, the accountant must perform a review or compilation in accordance with SSARSs, except for certain reviews of interim financial information as discussed in section 90, <i>Review of Financial Statements</i>. This section addresses circumstances in which an accountant is engaged to perform a compilation or review of financial statements:</p> <ul style="list-style-type: none">(a) 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 GAAP (hereinafter referred to as a financial reporting framework generally accepted in another country); or(b) in accordance with both SSARSs and another set of compilation or review standards	

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.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.	
.03 This section is applicable to compilations and reviews of 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.	
Effective Date	
.04 This section is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2018.	
Objective	
.05 The objective of the accountant, when engaged to perform a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country or when engaged to perform a review in accordance with both SSARSs and another set of review standards 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. reporting on the financial statements. 	
Requirements	
Considerations When Accepting the Engagement	Considerations When Accepting the Engagement (Ref: par. .06b, .07, and .11b(iii))
.06 Paragraph .25b of AR-C section 60, <i>General Principles for Engagements Performed in Accordance With Statements on Standards</i>	.A1 In obtaining an understanding of the purpose for which the financial statements are prepared and of the intended users, the accountant may

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p><i>for Accounting and Review Services</i>, requires the accountant, as a condition for accepting an engagement to be performed in accordance with SSARSs, to determine whether the financial reporting framework selected by management to be applied in the preparation of the financial statements is acceptable. In a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country, the accountant should obtain an understanding of</p> <ul style="list-style-type: none"> 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. b. The intended users of the financial statements. (Ref: par. A1) c. The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances. 	<p>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 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 accountant may conclude that financial statements prepared in accordance with a financial reporting framework generally accepted in another country are not appropriate for distribution widely in the United States.</p>
<p>.07 When the accountant plans to use the form and content of the accountant’s compilation or review report of another country, the accountant should obtain an understanding of the applicable legal responsibilities involved. (Ref: par. .A2)</p>	<p>.A2 Even when the form and content of the 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 accountant due to custom or culture. Issuing a compilation or review report of another country may require the accountant to report on statutory compliance or otherwise require an understanding of local laws and regulations. When issuing the accountant’s compilation or review report of another country, the accountant is required by paragraph .07 to obtain an understanding of applicable legal responsibilities, in addition to the compilation or review standards and the financial reporting framework generally accepted in the other country, as required by paragraphs .06 and .09–.10. Accordingly, depending on the nature and</p>

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Introduction, Definitions, and Requirements	Application and Other Explanatory Material
	extent of the accountant’s knowledge and experience, the accountant may consult with persons having expertise in the compilation or review reporting practices of the other country and associated legal responsibilities to obtain the understanding needed to issue that country's compilation or review report.
Performance	Performance (Ref: par. .08)
.08 When performing a compilation or review on financial statements prepared in accordance with a financial reporting framework generally accepted in another country, the accountant should obtain an understanding of such framework. (Ref: par. .A3-.A4)	<p>.A3 Paragraph .13 of AR-C section 80 requires the accountant, as part of the compilation engagement, to obtain an understanding of the applicable financial reporting framework and the significant accounting policies intended to be used in the preparation of the financial statements. Paragraphs .15-.16 of AR-C section 90 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.</p> <p>.A4 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 accountant may consult with persons having expertise in applying the financial reporting framework of the other country.</p>
<i>Compilation or Review of Financial Statements Intended for Use Only Outside the United States</i>	
.09 When 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	

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p>United States, the accountant should comply with 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 accountant should determine whether the application of SSARSs requires special-<u>additional</u> consideration in the circumstances of the engagement.</p>	
Application of Compilation or Review Standards of Another Country	Application of Compilation or Review Standards of Another Country (Ref: par. .10)
<p>.10 If the accountant is engaged to perform a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country, and the agreed-upon terms of <u>the</u> engagement require the accountant to apply the compilation or review standards of that country, International Standard on Related Services 4410 (Revised), <i>Compilation Engagements</i> (ISRS 4410 (Revised)), or ISRE 2400 (Revised), <i>Engagements to Review Historical Financial Statements</i> (ISRE 2400 (Revised)), the accountant should obtain an understanding of and apply those relevant standards, as well as SSARSs, except for requirements related to the form and content of the report in the situation described in paragraph .11. (Ref: par. .A5–.A7)</p>	<p>.A5 Applying the compilation or review standards of another country, ISRS 4410 (Revised) or ISRE 2400 (Revised) may require the accountant to perform procedures in addition to those procedures required by SSARSs.</p> <p>.A6 An understanding of the compilation or review standards of another country, ISRS 4410 (Revised), or ISRE 2400 (Revised) may be obtained by reading the statutes or professional literature, or codifications thereof, which establish or describe such standards.</p> <p>.A7 Statutes or professional literature, or codifications thereof, however, may not include a complete description of the compilation or review practices in another country. The accountant may consult with persons having expertisein, including practical experience, <u>in</u> applyingg the compilation or review standards of the other country, ISRS 4410 (Revised) or ISRE 2400 (Revised), as relevant.</p>
Reporting	Reporting (Ref: par. . .11a, and.12c)
	<p>.A8 The 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" contains illustrations of auditor's reports on financial statements incorporating the elements required by paragraphs .11–.12.</p>
Reporting—Intended for Use Only Outside the United States	

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p>.11 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</p> <ul style="list-style-type: none"><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. .A8)<ul style="list-style-type: none"><i>i.</i> the elements required by AR-C section 80 or AR-C section 90, as applicable and<i>ii.</i> a statement that refers to the note to the financial statements, if applicable, 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>b.</i> the report form and content of the other country (or, if applicable, as set forth in ISRS 4410 (Revised) or ISRE 2400 (Revised)), provided that<ul style="list-style-type: none"><i>i.</i> such a report would be issued by accountants in the other country in similar circumstances,<i>ii.</i> the accountant understands the report form and content of the other country and, if a review engagement is performed, has obtained sufficient appropriate review evidence to support the statements contained in such a review report, and	

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p>iii. the accountant has complied with the reporting standards of that country and identifies the other country in the report. (Ref: par. .A2)</p>	
<p>Reporting—Intended for Use in the United States</p> <p>.12 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 accountant should report using the U.S. form of report. In addition, the accountant should include in the accountant’s compilation or review report a separate paragraph to the accountant’s compilation or review report that</p> <ul style="list-style-type: none"> a. identifies the financial reporting framework used in the preparation of the financial statements, b. refers to the note to the financial statements, if applicable, that describes that framework, and c. indicates that such framework differs from accounting principles generally accepted in the United States of America. (Ref: par. .A9-.A10) 	<p>Reporting—Intended for Use in the United States (Ref: par. .12c)</p> <p>.A9 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 accountant may issue two reports: one of the reports described in paragraph .11 for use outside the United States and the U.S. form of report with a separate paragraph (such paragraph would be an emphasis-of-matter paragraph in an accountant’s review report), as described in paragraph .12, for use in the United States.</p> <p>.A10 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</p>

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	<p>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 .11. 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 <u>a</u> 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), 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>

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<i>Accountant's Report for Compilations or Reviews Conducted in Accordance With Both SSARSs and Another Set of Compilation or Review Standards</i>	

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
.13 The accountant should not refer to having conducted a compilation or review in accordance with another set of compilation or review standards in addition to SSARSs, unless the compilation or review was conducted in accordance with both sets of standards in their entirety.	
.14 When the accountant’s compilation or review report refers to both SSARSs and another set of compilation or review standards, the accountant’s compilation or review report should identify the other set of compilation or review standards, as well as their origin.	

.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. .A8)

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 5 — U.S Form of Independent Accountant’s Review Report on Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America and the Review Is Performed in Accordance With SSARSs and International Standard on Review Engagements 2400 \(Revised\) Issued by the International Auditing and Assurance Standards Board](#)

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 which, as described in note X to the financial statements, have been prepared 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 to 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 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, which, as described in note X to the financial statements, have been prepared 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 to 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 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, which, as described in note X to the financial statements, have been prepared 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, which, as described in note X to the financial statements, have been prepared 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]

[Illustration 5 — U.S Form of Independent Accountant's Review Report on Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America and the Review Is Performed in Accordance With SSARSs and International Standard on Review Engagements 2400 \(Revised\) Issued by the International Auditing and Assurance Standards Board](#)

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 \(owners'\) 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 in accordance with International Standard on Review Engagements 2400 (Revised) issued by the International Auditing and Assurance Standards Board. 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 accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (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 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 review report]

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 (new language is shown in *boldface italics*):

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.

Proposed Amendment to AR-C section 90 Requirements When Referencing the Work of Other Accountants in an Accountant’s Review Report

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p><i>Reference to the Work of Other Accountants in an Accountant’s Review Report</i></p>	<p><i>Reference to the Work of Other Accountants in an Accountant’s Review Report</i> (Ref: par. .78)</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>.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*

- 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

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, 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*

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.

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

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 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

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.]

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.]