

# Statement on Standards for Accounting and Review Services No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*

**Issue Date:** October 2014

**Effective Date:** This Statement on Standards for Accounting and Review Services is effective for reviews, compilations, and engagements to prepare financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

**Product Number:** [ASSARSST21P \(paperback\)](#); [ASSARSST21E \(eBook\)](#) (Or, go to [www.cpa2biz.com](http://www.cpa2biz.com) and search for this product number.)

## Executive Summary

Statement on Standards for Accounting and Review (SSARS) No. 21 represents the efforts of the AICPA's Accounting and Review Services Committee (ARSC) to clarify and revise the existing standards for reviews, compilations, and engagements to prepare financial statements as a result of [ARSC Clarity Project](#). SSARS No. 21 includes significant revisions that affect the standards for accountants in public practice who prepare financial statements for their clients.

SSARS No. 21 supersedes all existing AR sections in AICPA *Professional Standards* with the exception of AR section 120, *Compilation of Pro Forma Financial Information*. In 2015, AR section 120 is expected to be clarified and exposed for public comment along with new proposed requirements and guidance related to compilation of prospective financial information. The existing requirements and guidance related to compilation of prospective financial information is contained in Statements on Standards for Attestation Engagements.

SSARS No. 21 comprises four sections:

- Section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*
- Section 70, *Preparation of Financial Statements*
- Section 80, *Compilation Engagements*
- Section 90, *Review of Financial Statements*

These sections will be codified in AICPA *Professional Standards* with the prefix "AR-C" to distinguish them from the extant AR sections.

Section 60 includes the general principles for engagements performed in accordance with SSARSs and is intended to replace AR section 60, *Framework for Performing and Reporting on Compilation and Review Engagements*.

Section 70 contains the requirements and guidance related to engagements to prepare financial statements and

- applies when the accountant is engaged to prepare financial statements but is not engaged to perform an audit, review or a compilation on those financial statements.
- requires the accountant to include a legend on each page of the financial statements stating that no assurance is being provided.
- requires the accountant to obtain an engagement letter signed by both the accountant and the client's management.

- does *not* require the accountant to consider whether he or she is independent, just as in all other nonattest bookkeeping/accounting services engagements.
- may be applied to financial statements with or without disclosures.

Section 80 contains the requirements and guidance related to compilation engagements and

- retains the existing requirements for compilations largely unchanged.
- applies when an accountant is engaged to perform a compilation engagement.
- always requires a report (section 70 would apply for non-reporting management-use only engagements)
- streamlines the report to differentiate the non-assurance compilation report from assurance (review and audit) reports so that the standard report contains only one paragraph with no headings.
- retains the requirement that the accountant modify the accountant's compilation report whenever the accountant's independence is impaired.
- requires the accountant to obtain an engagement letter signed by both the accountant and the client's management.
- may be applied to financial statements with or without disclosures.

Section 90 contains the requirements and guidance related to review engagements and is essentially a clarity redraft of the review literature in SSARS No. 19, *Compilation and Review Engagements*, with few changes.

### **Convergence**

Whereas the AICPA's Auditing Standards Board used, where applicable, the corresponding International Standard on Auditing (ISA) as a base when drafting each clarified auditing standard, ARSC has used AU-C section 930, *Interim Financial Information (AICPA, Professional Standards)*, as a base to clarify the existing review literature. AU-C section 930 was clarified using International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, as a base, and there are no substantive differences between AU-C section 930 and ISRE 2410. ARSC determined that it was more appropriate to converge with the corresponding limited assurance engagement guidance in the American auditing literature than with ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*.

Although ARSC has considered International Standard on Related Services (ISRS) 4410, *Engagements to Compile Financial Statements*, and has adopted certain of the requirements, section 80 has not been fully harmonized with ISRS 4410 because some of the underlying premises (for example, the requirement to determine independence) are different in the United States of America.