

New Standards for Accounting and Review Services (SSARS 21)

Steven C. Fustolo, CPA

Table of Contents

Chapter 1 – Overview of the New Standards.....	1
Learning Objectives.....	1
Issued	1
Effective Date	1
Objective	1
Background	1
Key changes made by SSARS No. 21.....	3
Review Questions.....	7
Review Answers	8
Chapter 2 – AR-C Section 60—General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services	9
Learning Objectives	9
Introduction.....	9
Key Changes Made to New AR-C 60	9
Definitions	10
Requirements for Performing SSARS Engagements	11
Financial Statement Requirements.....	12
Ethical Requirements.....	13
Professional Judgment.....	13
Conduct of Performing the Engagement in Accordance With SSARSs	14
Engagement Level Quality Control	16
Acceptance and Continuance of Client Relationships and Engagements.....	17
Review Questions.....	19
Review Answers	20
Chapter 3 – AR-C Section 70—Preparation of Financial Statements	21
Learning Objectives	21
Effective Date	21
Introduction.....	21
Scope of AR-C 70.....	21
Definitions	26
Brief Summary of a Preparation of Financial Statements Engagement	28
General Rules in Applying a Preparation of Financial Statements Engagement Under AR-C 70	29
Specific Rules for Preparing Financial Statements per AR-C 70	31
Documentation in a Preparation Engagement	36
Engagement Letter—Preparation of Financial Statements Engagement.....	36
Exhibit: Illustrative Engagement Letter—Preparation Engagement	37
Illustrative Financial Statements—AR-C 70	40
Preparation of Personal Financial Statements.....	55
Review Questions.....	65
Review Answers	68
Chapter 4 – AR-C Section 80—Compilation Engagements	72
Learning Objectives	72
Introduction.....	72
Effective Date	73
Scope of AR-C 80—Compilation Engagements.....	73
Objective of a Compilation Engagement.....	74
Definitions	74
Requirements—Compilation Engagements—AR-C 80	76
Engagement Letter—Compilation	78
The Accountant’s Knowledge and Understanding of the Entity’s Financial Reporting Framework— Compilation Engagement	93

Table of Contents

Compilation Procedures.....	93
The New Accountant's Compilation Report	94
Reporting When the Accountant Is Not Independent	100
Reporting on Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework.....	101
Reporting Known Departures From the Applicable Financial Reporting Framework	101
Reporting on Supplementary Information	102
Elimination of Management use Only Financial Statements.....	105
Examples of the Accountant's Compilation Reports on Financial Statements	106
Documentation in a Compilation Engagement.....	119
Review Questions.....	120
Review Answers	123
Chapter 5 – AR-C Section 90—Review of Financial Statements	127
Learning Objectives	127
Introduction.....	127
Scope of AR-C 90—Review of Financial Statements.....	128
Effective Date	129
Objective	129
Definitions	129
Requirements for Performing a Review Engagement Under AR-C 90.....	132
Illustrative Engagement Letters.....	135
Communication with Management and Those Charged With Governance.....	145
Understanding of the Industry	146
Knowledge of the Entity	146
Designing and Performing Review Procedures.....	147
Analytical Procedures	147
Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters	149
Reading the Financial Statements.....	151
Using the Work of Other Accountants	151
Reconciling the Financial Statements to the Underlying Accounting Records	151
Evaluating Evidence Obtained From the Procedures Performed	151
Materiality.....	152
Written Representations in a Review Engagement.....	153
Reporting on the Financial Statements.....	160
Communicating to Management and Others Regarding Fraud or Noncompliance With Laws and Regulations	172
Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report	173
Known Departures From the Applicable Financial Reporting Framework.....	175
Restricting the Use of the Accountant's Review Report	176
The Accountant's Consideration of an Entity's Ability to Continue as a Going Concern.....	178
Subsequent Events and Subsequently Discovered Facts	179
Reference to the Work of Other Accountants in an Accountant's Review Report	181
Supplementary Information That Accompanies Reviewed Financial Statements.....	182
Required Supplementary Information	184
Change in Engagement From Audit to Review	185
Review Documentation	186
Review Questions.....	187
Review Answers	190
Chapter 6 – Implementation of SSARS No. 21	194
Review Questions.....	195
Review Answers	196
Glossary.....	197
Index	201