

Standards for Accounting and Review Services (SSARS 21–25)

5th Edition

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
Issuance of SSARS No. 22, <i>Compilation of Pro Forma Financial Information</i>	5
Issuance of SSARS No. 23, <i>Omnibus Statement on Standards for Accounting and Review Services—2016</i>	6
Issuance of SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i>	7
Issuance of SSARS No. 25, <i>Materiality in a Review of Financial Statements and Adverse Conclusions</i>	7
Review Questions.....	9
Review Answers	10
Chapter 2 – AR-C Section 60—General Principles for SSARS	11
Learning Objectives	11
Introduction.....	11
Key Changes Made in AR-C 60	11
Definitions.....	12
Requirements for Performing SSARS Engagements	14
Financial Statement Requirements.....	14
Ethical Requirements.....	15
Professional Judgment	16
Conduct of Performing the Engagement in Accordance with SSARSs	16
Engagement Level Quality Control	19
Acceptance and Continuance of Client Relationships and Engagements.....	20
Review Questions.....	24
Review Answers	25
Chapter 3 – AR-C Section 70: Preparation of Financial Statements	27
Learning Objectives	27
Effective Date	27
Introduction.....	27
Scope of AR-C 70.....	27
Definitions.....	33
Definition of Special Purpose Framework.....	34
Summary of a Preparation of Financial Statements Engagement	34
A Preparation Engagement and Peer Review.....	35
General Rules—Preparation Engagement under AR-C 70	36
Specific Rules for Preparing Financial Statements per AR-C 70	38
Preparing Prospective Financial Information	46
Documentation in a Preparation Engagement	46
Engagement Letter—Preparation of Financial Statements Engagement.....	47
Illustrative Engagement Letters—Preparation Engagement.....	47
Illustrative Financial Statements—AR-C 70	52
Preparation of Personal Financial Statements	68
Review Questions.....	76
Review Answers	79
Chapter 4 – AR-C Section 80: Compilation Engagements.....	83
Learning Objectives	83
Introduction.....	83

Table of Contents

Effective Date	84
Scope of AR-C 80—Compilation Engagements.....	84
Compiling Prospective Financial Information	85
Objective of a Compilation Engagement.....	86
Definitions.....	86
Requirements for Performing a Compilation Engagement under AR-C 80	87
Engagement Letter—Compilation	88
Performing a Preparation Engagement at Interim—Independence Issues	101
Entity's Financial Reporting Framework—Compilation Engagement.....	103
Compilation Procedures.....	103
The Accountant's Compilation Report	104
General Rules for the SSARS No. 21 Compilation Report	106
Accountant's Compilation Report on Financial Statements Prepared in Accordance with a Special Purpose Framework	107
Reporting When the Accountant Is Not Independent	110
Reporting on Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework.....	111
Reporting Known Departures from the Applicable Financial Reporting Framework—Compilation Engagement	112
Reporting on Supplementary Information	112
Elimination of Management-Use Only Financial Statements	116
Examples of the Accountant's Compilation Reports on Financial Statements	116
Documentation in a Compilation Engagement.....	125
Change from an Audit or Review Engagement to a Compilation Engagement	126
Compilation of Personal Financial Statements.....	126
Review Questions.....	132
Review Answers	135
Chapter 5 – AR-C Section 90: Review of Financial Statements.....	139
Learning Objectives	139
Introduction.....	139
Effective Date	139
Objective	140
Scope of AR-C 90—Review Engagements.....	140
Definitions.....	141
Requirements for Performing a Review Engagement Under AR-C 90.....	143
General Principles for Performing and Reporting on Review Engagements	143
Engagement Letter—Review Engagement.....	146
Illustrative Engagement Letters	147
Communication with Management and Those Charged with Governance.....	155
Communicating Matters Concerning the Review	156
Communication with Third Parties.....	156
Understanding of the Industry	157
Knowledge of the Entity	157
Designing and Performing Review Procedures.....	157
Materiality in a Review Engagement (NEW per SSARS No. 25)	158
Analytical Procedures	160
Inquiries of Management (NEW per SSARS No. 25)	162
Revised List of Inquires—SSARS No. 25	162
Revised List of Unusual or Complex Transactions, Events, or Matters.....	163
Reading the Financial Statements.....	164
Related Party Transactions	164
Using the Work of Others and Other Accountants	164
Additional Procedures When the Accountant Becomes Aware That the Financial Statements May Be Materially Misstated (NEW per SSARS No. 25)	164
Reconciling the Financial Statements to the Underlying Accounting Records	166
Evaluating Review Evidence Obtained from the Procedures Performed	166

Table of Contents

Written Representations in a Review Engagement.....	166
Written Representations as Review Evidence	166
Management from Whom Written Representations Are Requested	166
Specific Written Representations (NEW per SSARS No. 25)	167
Concerns About the Reliability of Written Representations and Requested Written Representations Not Provided.....	169
Reporting on the Financial Statements.....	172
Reporting: Forming the Accountant's Conclusion on the Financial Statements	172
Reporting: Management Bias and Whether Financial Statements are Materially Misstated	172
Form of the Conclusion.....	173
Accountant's Review Report on Financial Statements Prepared in Accordance with a Special Purpose Framework.....	177
Comparative Financial Statements.....	178
Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report	187
Restricting the Use of the Accountant's Review Report	190
Going Concern in a Review Engagement.....	192
Fraud and Noncompliance with Laws and Regulations.....	208
Review Documentation	209
Review Questions.....	210
Review Answers	214
Chapter 6 – AR-C Section 100 – Special Considerations—International Reporting Issues	221
Learning Objectives	221
Introduction.....	221
Details on New International Reporting Guidance (SSARS No. 24)	221
International Reporting Issues.....	222
Review Questions.....	228
Review Answers	229
Glossary.....	231
Index	235