

Accounting and Review Services (Clarified) [AR-C]

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AR-C Cross-References to SSARSs

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Part I — Statements on Standards for Accounting and Review Services and Sources of Sections in Current Text

Statements on Standards for Accounting and Review Services[a]

No.	Date Issued	Title	AR-C Section
21	Oct. 2014	*Statements on Standards for Accounting and Review Services: Clarification and Recodification*[1]	
22	Sept. 2016	*Compilation of Pro Forma Financial Information*	120
23	Oct. 2016	*Omnibus Statement on Standards for Accounting and Review Services—2016*[2]	
24	May 2018	*Omnibus Statement on Standards for Accounting and Review Services—2018*[3]	
25	Feb. 2020	*Materiality in a Review of Financial Statements and Adverse Conclusions*[4]	
26	June 2022	*Quality Management for an Engagement Conducted in Accordance With Statements on Standards for Accounting and Review Services*[5]	
27	April 2025	*Applicability of AR-C Section 70 to Financial Statements Prepared as Part of a Consulting Services Engagement*[6]	

[1]SSARS No. 21 created various sections throughout *Accounting and Review Services (Clarified)*. See the following section, "Sources of Sections in Current Text," for a full list.

[2]SSARS No. 23 has been integrated within sections 60A.01, 60A.03-.04, 60A.07, 60A.17, 60.26, 60A.A4, 60.A12, 60.A21, 60.A26, 60.A33, 60.A38, 70A.01, 70A.10, 70A.14, 70A.19, 70A.A1-.A3, 70A.A9, 80A.01, 80A.10, 80A.24-.25, 80A.29-.30, 80A.A1-.A4, 80.A14, 90A.01, 90.05, 90.11-.12, 90.39*g*, 90.81-.83, 90A.A1, 90.A11-.A12, 90.A20, and 90.A132-.A134.

[3]SSARS No. 24 has been integrated within sections 60.07, 60.A51, 90.05, 90.34, 90.39, 90.65, 90.66-.69, 90.79, 90.80-.82, 90.A10, 90.A116-.A126, 90.A138-.A140, and 100.

[4]SSARS No. 25 has been integrated within sections 60A.07, 60A.21, 60A.26, 60A.A13, 60A.A40, 60A.A47, 60A.A51–.A52, 60A.A59–.A62, 70A.07, 70A.14, 70A.17, 70A.20–.21, 70A.A15–.A16, 70A.A22–.A23, 80A.05, 80A.18–.21, 80A.26, 80A.A28–.A29, 80A.A35–.A36, 90A.03–.05, 90A.07–.08, 90A.11, 90A.13, 90A.15–.16, 90A.19–.20, 90A.24–.25, 90A.29, 90A.32–.39, 90A.42, 90A.47–.57, 90A.60, 90A.64–.74, 90A.76, 90A.78–.81, 90A.88–.92, 90A.94–.97, 90A.109–.112, 90A.137–.139, 90A.A10, 90A.A17–.A21, 90A.A37–.A41, 90A.A47, 90A.A57, 90A.A60–.A69, 90A.A71–.A75, 90A.A78–.A86, 90A.A101–.A106, 90A.A119, 90A.A124–.A125, 90A.A130–.A132, 90A.A141–.A142, 90A.A145–.A146, 90A.A157–.A156, 90A.A175–.A176, 90A.A178–.A182, and 90A.A216.

[5]SSARS No. 26 has been integrated within sections 60.07, 60.20–.21, 60.23–.30, 60.A12–.A13, 60.A19, 60.A42–.A47, 60.A49, 60.A51–[.A61], 70.A14, 80.17, 80.A25–.A26, 90.16, 90.76, 90.139, and 90.A120–.A121.

[a]This table lists Statements on Standards for Accounting and Review Services (SSARSs) issued subsequent to SSARS No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*, which was issued in October 2014. Refer to part II, "List of Statements on Standards for Accounting and Review Services Nos. 1–20," of this section for SSARSs issued prior to SSARS No. 21.

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[6]SSARS No. 27 has been integrated within sections 70.01–.02 and 70.A4–.A5.
Section 70A retains currently effective content until SSARS No. 27 becomes effective.

Sources of Sections in Current Text

AR-C Section	Contents	Source	Amended By
60	*General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*	SSARS No. 21	SSARS Nos. 23, 24, 25, 26
70	*Preparation of Financial Statements*	SSARS No. 21	SSARS Nos. 23, 25, 26, 27
70A	*Preparation of Financial Statements*	SSARS No. 21	SSARS Nos. 23, 25, 26
80	*Compilation Engagements*	SSARS No. 21	SSARS Nos. 23, 25, 26
90	*Review of Financial Statements*	SSARS No. 21	SSARS Nos. 23, 24, 25, 26
100	*Special Considerations—International Reporting Issues*	SSARS No. 24	
120	*Compilation of Pro Forma Financial Information*	SSARS No. 22	

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Part II — List of SSARSs Nos. 1–20

Statements on Standards for Accounting and Review Services

No.	Date Issued	Title
1	Dec. 1978	*Compilation and Review of Financial Statements*
2	Oct. 1979	*Reporting on Comparative Financial Statements*
3	Dec. 1981	*Compilation Reports on Financial Statements Included in Certain Prescribed Forms*
4	Dec. 1981	*Communications Between Predecessor and Successor Accountants*
5	July 1982	*Reporting on Compiled Financial Statements*
6	Sept. 1986	*Reporting on Personal Financial Statements Included in Written Personal Financial Plans*
7	Nov. 1992	*Omnibus Statement on Standards for Accounting and Review Services—1992*
8	Oct. 2000	*Amendment to Statement on Standards for Accounting and Review Services No. 1, Compilation and Review of Financial Statements*
9	Nov. 2002	*Omnibus Statement on Standards for Accounting and Review Services—2002*
10	May 2004	*Performance of Review Engagements*
11	May 2004	*Standards for Accounting and Review Services*
12	July 2005	*Omnibus Statement on Standards for Accounting and Review Services—2005*
13	July 2005	*Compilation of Specified Elements, Accounts, or Items of a Financial Statement*
14	July 2005	*Compilation of Pro Forma Financial Information*
15	July 2007	*Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services*
16	Dec. 2007	*Defining Professional Requirements in Statements on Standards for Accounting and Review Services*
17	Feb. 2008	*Omnibus Statement on Standards for Accounting and Review Services—2008*
18	Feb. 2009	*Applicability of Statements on Standards for Accounting and Review Services*

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No.	Date Issued	Title
19	Dec. 2009	*Compilation and Review Engagements*
20	Feb. 2011	*Revised Applicability of Statements on Standards for Accounting and Review Services*

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AR-C Introduction

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Foreword

Clarified Statements on Standards for Accounting and Review Services

To address concerns over clarity, length, and complexity of its standards, the Accounting and Review Services Committee (ARSC) established clarity drafting conventions which are substantially the same as those adopted by the Auditing Standards Board in clarifying the auditing literature. The ARSC redrafted all of its Statements on Standards for Accounting and Review Services (SSARSs) in accordance with those conventions, which include the following:

- Establish objectives for each clarified AR-C section
- Include a Definitions section, where relevant, in each clarified AR-C section
- Separate requirements from application and other explanatory material
- Number application and other explanatory material paragraphs using an A- prefix and present them in a separate section that follows the Requirements section
- Use formatting techniques, such as bullet lists, to enhance readability

This section contains "AR-C" section numbers instead of "AR" section numbers. As part of the clarification of the SSARSs, the AR section numbers as designated by SSARSs Nos. 1–20 were recodified and the "AR-C" was selected as an identifier in order to avoid confusion with references to superseded "AR" sections. Superseded "AR" sections were deleted from AICPA *Professional Standards* in May 2017, by which time substantially all engagement for which the "AR" sections were still effective were expected to be completed. The superseded "AR" sections can be accessed at www.aicpa-cima.com/resources/landing/preparation-compilation-and-review-standards.

Authority of SSARS

SSARSs are standards issued by ARSC, the senior committee of the AICPA that is designated by Council to issue pronouncements in connection with the unaudited financial statements or other unaudited financial information of a nonpublic entity. The "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA Code of Professional Conduct requires a member who performs compilation, review, or other professional services addressed by SSARSs to comply with standards promulgated by ARSC.

An accountant must comply with an unconditional requirement in all cases in which such requirement is relevant. SSARSs use the word "must" to indicate an unconditional requirement. An accountant must comply with a presumptively mandatory requirement in all cases in which such a requirement is relevant. However, if, in rare circumstances, the accountant judges it necessary to depart from a relevant presumptively mandatory requirement, the accountant must document the justification for the departure and how the

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alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement.

Exhibits to and interpretations of SSARSs are *interpretative publications*, as defined in section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*. An accountant is required to consider applicable interpretive publications in the performance of an engagement in accordance with SSARSs. Interpretive publications are not SSARSs. Interpretive publications are recommendations on the application of SSARSs in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of ARSC only after all ARSC members have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with SSARSs. Compilation and review interpretations of SSARSs and exhibits to SSARSs are included in the AR-C sections.

ACCOUNTING AND REVIEW SERVICES COMMITTEE

Michael A. Westervelt, *Chair*

Michael P. Glynn, Associate Director — Audit & Attest Standards — Public Accounting

Jennifer Burns, Chief Auditor — AICPA

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AR-C Glossary

Glossary of Terms

Analytical procedures. Evaluations of financial information through analysis of plausible relationships among both financial and nonfinancial data. Analytical procedures also encompass such investigation, as is necessary, of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.

Applicable financial reporting framework. The financial reporting framework adopted by management and, when appropriate, those charged with governance in the preparation and fair presentation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.

Basic financial statements. Financial statements excluding supplementary information and required supplementary information.

Comparative financial statements. A complete set of financial statements for one or more prior periods included for comparison with the financial statements of the current period.

Designated accounting standard-setter. A body designated by the Council of the AICPA to promulgate accounting principles generally accepted in the United States of America pursuant to the "Compliance With Standards Rule" (ET sec. 1.310.001) and the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct.

Emphasis-of-matter paragraph. A paragraph included in the accountant's compilation or review report that is required by Statements on Standards for Accounting and Review Services (SSARSs), or is included at the accountant's discretion, and that refers to a matter appropriately presented or disclosed in the financial statements that, in the accountant's professional judgment, is of such importance that it is fundamental to the users' understanding of the financial statements.

Engagement partner. The partner or other individual appointed by the firm who is responsible for the engagement and its performance and for the report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body.

Engagement quality review. An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon performed by the engagement quality reviewer and completed before the engagement report is released.

Engagement quality reviewer. A partner, other individual in the firm, or an external individual appointed by the firm to perform the engagement quality review.

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Engagement team. All partners and staff performing the engagement and any individuals engaged by the firm or a network firm who perform procedures on the engagement.

Error. Mistakes in the financial statements, including arithmetical or clerical mistakes, and mistakes in the application of accounting principles, including inadequate disclosures.

Experienced accountant. An individual (whether internal or external to the firm) who has practical review experience and a reasonable understanding of

a. review processes;

b. SSARSs and applicable legal and regulatory requirements;

c. the business environment in which the entity operates; and

d. review and financial reporting issues relevant to the entity's industry.

Fair presentation framework. See financial performing framework.

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* refers to a financial reporting framework that requires compliance with the requirements of the framework and does one of the following:

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.

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 rare circumstances.

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

Financial statements. A structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources and obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term *financial statements* ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement or in the notes, or incorporated therein by reference.

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The requirements of the applicable financial reporting framework determine the presentation, structure, and content of the financial statements and what constitutes a complete set of financial statements.

Firm. A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA and that is engaged in the practice of public accounting.

Fraud. An intentional act that results in a misstatement in financial statements.

Generally accepted accounting principles (GAAP). References to *generally accepted accounting principles* in SSARSs means generally accepted accounting principles promulgated by bodies designated by the Council of the AICPA pursuant to the "Compliance With Standards Rule" and the "Accounting Principles Rule" of the AICPA Code of Professional Conduct.

General purpose financial statements. Financial statements prepared in accordance with a general purpose framework.

General purpose framework. A financial reporting framework designed to meet the common financial information needs of a wide range of users.

Historical financial information. Information expressed in financial terms regarding a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

Inquiry. Inquiry consists of seeking information of knowledgeable persons within or outside the entity.

Inspection. Inspection is an evaluation of the adequacy of aspects of the firm's quality management policies and procedures, its personnel's understanding of those policies and procedures, and the extent of the firm's compliance with them.

Interpretive publications. Interpretations of SSARSs; exhibits to SSARSs; AICPA Guide *Preparation, Compilation, and Review Engagements*, guidance on preparation, compilation, and review engagements included in AICPA Audit and Accounting Guides; and AICPA Statements of Position, to the extent that those statements are applicable to such engagements.

Limited assurance. A level of assurance that is less than the reasonable assurance obtained in an audit engagement but is at an acceptable level as the basis for the conclusion expressed in the accountant's review report.

Management. The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance (for example, executive members of a governance board or an owner-manager).

Misstatement. A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or

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disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Misstatements can arise from fraud or error.

Misstatements also include those adjustments of amounts, classifications, presentations, or disclosures that, in the accountant's professional judgment, are necessary for the financial statements to be presented fairly, in all material respects.

Modified conclusion. A qualified conclusion or an adverse conclusion.

Network. As defined in "Definitions" (ET section 0.400) in the AICPA code, an association of entities that includes one or more firms.

Network firm. As defined in "Definitions" in the AICPA code, a firm or other entity that belongs to a network. References to a network firm are to be read hereafter as "another firm or entity that belongs to the same network as the firm."

Noncompliance. Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into, by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. *Noncompliance* does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management, or employees of the entity.

Other-matter paragraph. A paragraph included in the accountant's compilation or review report that is required by SSARSs, or is included at the accountant's discretion, and that refers to a matter other than those presented or disclosed in the financial statements that, in the accountant's professional judgment, is relevant to users' understanding of the compilation or review, the accountant's responsibilities, or the accountant's compilation or review report.

Other preparation, compilation and review publications. Publications other than interpretive publications.

Partner. Any individual with authority to bind the firm with respect to the performance of a professional services engagement. For purposes of this definition, partner may include an employee with this authority who has not assumed the risks and benefits of ownership. Firms might use different titles to refer to individuals with this authority.

Personnel. Partners and staff in the firm.

Pervasive. A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements. Pervasive effects on the financial statements are those that, in the accountant's judgment

- are not confined to specific elements, accounts, or items of the financial statements;
- if so confined, represent or could represent a substantial portion of the financial statements; or

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- with regard to disclosures, are fundamental to users' understanding of the financial statements.

Professional judgment. The application of relevant training, knowledge, and experience, within the context provided by SSARSs, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the preparation, compilation, or review engagement.

Professional skepticism. An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of review evidence.

Professional standards. Standards promulgated by the AICPA Auditing Standards Board or the AICPA Accounting and Review Services Committee under the "General Standards Rule" (ET sec. 1.300.001) or the "Compliance With Standards Rule" of the AICPA code, or by other standard-setting bodies that set auditing and attest standards applicable to the engagement being performed and relevant ethical requirements.

Pro forma financial information. A presentation that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date.

Prospective financial information Any financial information about the future. The information may be presented as complete financial statements or limited to one or more elements, items, or accounts.

Reasonable period of time. The period of time required by the applicable financial reporting framework or, if no such requirement exists, within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

Relevant ethical requirements. Principles of professional ethics and ethical requirements to which the engagement team and, if applicable, the engagement quality reviewer are subject, which consist of the AICPA code together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.

Report release date. The date the accountant grants the entity permission to use the accountant's review report in connection with the financial statements.

Required supplementary information. Information that a designated accounting standards-setter requires to accompany an entity's basic financial statements. Required supplementary information is not part of the basic financial statements; however, a designated accounting standards-setter considers the information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, authoritative guidelines for the methods of measurement and presentation of the information have been established.

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Review documentation. The record of review procedures performed, relevant review evidence obtained, and conclusions the accountant reached (terms such as *working papers* or *workpapers* are also sometimes used).

Review evidence. Information used by the accountant to provide a reasonable basis for obtaining limited assurance. Review evidence includes both information contained in the accounting records underlying the financial statements and other information, which primarily consists of the results of analytical procedures and inquiries. Sufficiency of review evidence is the measure of the quantity of review evidence. Appropriateness of review evidence is the measure of the quality of review evidence, that is, its relevance and reliability in providing support for the conclusions on which the accountant's review report is based.

Special purpose financial statements. Financial statements prepared in accordance with a special purpose framework.

Special purpose framework. A financial reporting framework other than GAAP that is one of the following bases of accounting:

a. **Cash basis.** A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets).

b. **Tax basis.** A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements.

c. **Regulatory basis.** A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance department).

d. **Contractual basis.** A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the accountant.

e. **Other basis.** A basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements, for example, the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities.

The cash basis, tax basis, regulatory basis, and other basis of accounting are commonly referred to as *other comprehensive bases of accounting*.

Specified parties. The intended users of the accountant's compilation or review report.

Subsequent events. Events occurring between the date of the financial statements and the date of the accountant's compilation or review report.

Subsequently discovered facts. Facts that become known to the accountant after the date of the accountant's compilation or review report that, had they been known to

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the accountant at that date, may have caused the accountant to revise the accountant's compilation or review report.

Supplementary information. Information presented outside the basic financial statements, excluding required supplementary information, that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework. Such information may be presented in a document containing the reviewed financial statements or separate from the reviewed financial statements.

Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of an entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).

Updated report. A report issued by a continuing accountant that takes into consideration information that the accountant becomes aware of during the accountant's current engagement and that re-expresses the accountant's previous conclusions or, depending on the circumstances, expresses different conclusions on the financial statements of a prior period reviewed by the accountant as of the date of the accountant's current report.

Written representation. A written statement by management provided to the accountant to confirm certain matters or to support other review evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.

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AR-C Section

STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES (CLARIFIED)

The following is a Codification of Statements on Standards for Accounting and Review Standards (SSARSs) resulting from the Accounting and Review Services Committee's (ARSC's) project to clarify and revise the standards for reviews, compilations, and engagements to prepare financial statements. SSARSs are issued by the ARSC, the senior committee of the AICPA designated to issue pronouncements in connection with the unaudited financial statements or other unaudited financial information of a nonpublic entity. Council has designated ARSC as a body to establish technical standards under the "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA Code of Professional Conduct.

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AR-C Section 60

General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services

Source: SSARS No. 21; SSARS No. 23; SSARS No. 24; SSARS No. 25; SSARS 26.

Effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2015, unless otherwise indicated.

Introduction

Scope of This Section

.01 This section provides general principles for engagements performed in accordance with Statements on Standards for Accounting and Review Services (SSARSs) issued by the Accounting and Review Services Committee (ARSC) and codified into AR-C sections. This section also sets forth the meaning of certain terms used in SSARSs when describing the professional requirements imposed on accountants performing an engagement in accordance with SSARSs. [As amended, effective October 2016, by SSARS No. 23.]

.02 This section is intended to help accountants better understand their professional responsibilities when performing an engagement in accordance with SSARSs. Additional sections have been established to set forth specific performance and reporting requirements. Such additional requirements are based on the general principles provided by this section, and any requirements created by this section also have been incorporated into the additional sections.

.03 SSARSs do not address the responsibilities of the accountant that may exist in legislation, regulation, or otherwise. Such responsibilities may differ from those established in SSARSs. Accordingly, although the accountant may find aspects of SSARSs helpful in such circumstances, it is the responsibility of the accountant to ensure compliance with all relevant legal, regulatory, or professional obligations. [As amended, effective October 2016, by SSARS No. 23.]

.04 The financial statements subject to the engagement performed in accordance with SSARSs are those of the entity. SSARSs do not impose responsibilities on management and do not override laws and regulations that govern their responsibilities. (Ref: par. .A4–.A11) [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23.]

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Effective Date

.05 This section is effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2015. Early implementation is permitted. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Objective

.06 The objective of the accountant is to obtain an understanding of the general principles for engagements performed in accordance with SSARSs. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Definitions

.07 For purposes of SSARSs, the following terms have the meanings attributed as follows:

Applicable financial reporting framework. The financial reporting framework adopted by management and, when appropriate, those charged with governance in the preparation and fair presentation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.

Designated accounting standard setter. A body designated by the Council of the AICPA to promulgate accounting principles generally accepted in the United States of America pursuant to the "Compliance With Standards Rule" (ET sec. 1.310.001) and the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct.

Engagement partner.[1] The partner or other individual appointed by the firm who is responsible for the engagement and its performance and for the report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body. (Ref: par. .A12)

Engagement quality review. An objective evaluation of the significant judgments made by the engagement team and the conclusions reached thereon performed by the engagement quality reviewer and completed before the engagement report is released.

Engagement quality reviewer. A partner, other individual in the firm, or an external individual appointed by the firm to perform the engagement quality review.

Engagement team. All partners and staff performing the engagement and any individuals engaged by the firm or a network firm who perform procedures on the engagement.

Fair presentation framework. See **financial reporting framework**.

Financial reporting framework. A set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in the financial

[1][Footnote deleted by the issuance of SSARS No. 26, June 2022.]

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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* refers to a financial reporting framework that requires compliance with the requirements of the framework and does one of the following:

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.

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 rare circumstances.

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

Financial statements. A structured representation of historical financial information, including disclosures, intended to communicate an entity's economic resources and obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term *financial statements* ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement or in the notes, or incorporated therein by reference.
The requirements of the applicable financial reporting framework determine the presentation, structure, and content of the financial statements and what constitutes a complete set of financial statements.

Firm. A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA and that is engaged in the practice of public accounting.

General purpose financial statements. Financial statements prepared in accordance with a general purpose framework.

General purpose framework. A financial reporting framework designed to meet the common financial information needs of a wide range of users.

Inspection. Inspection is an evaluation of the adequacy of aspects of the firm's quality management policies and procedures, its personnel's understanding of those policies and procedures, and the extent of the firm's compliance with them.

Interpretive publications. Interpretations of SSARSs; exhibits to SSARSs; AICPA Guide *Preparation, Compilation, and Review Engagements*;[2] guidance on preparation, compilation, and review engagements included in AICPA Audit and Accounting Guides; and AICPA

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Statements of Position, to the extent that those statements are applicable to such engagements.

Network. As defined in "Definitions" (ET section 0.400) in the AICPA code, an association of entities that includes one or more firms. (Ref: par. .A13)

Network firm. As defined in "Definitions" in the AICPA code, a firm or other entity that belongs to a network. References to a network firm are to be read hereafter as "another firm or entity that belongs to the same network as the firm."

Other preparation, compilation and review publications. Publications other than interpretive publications. (Ref: par. .A12)

Partner. Any individual with authority to bind the firm with respect to the performance of a professional services engagement. For purposes of this definition, partner may include an employee with this authority who has not assumed the risks and benefits of ownership. Firms might use different titles to refer to individuals with this authority.

Personnel. Partners and staff in the firm.

Professional judgment. The application of relevant training, knowledge, and experience, within the context provided by SSARSs, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the preparation, compilation, or review engagement.

Professional standards. Standards promulgated by the AICPA Auditing Standards Board or the AICPA Accounting and Review Services Committee under the "General Standards Rule" (ET sec. 1.300.001) or the "Compliance With Standards Rule" of the AICPA code, or by other standard setting bodies that set auditing and attest standards applicable to the engagement being performed and relevant ethical requirements.

Prospective financial information Any financial information about the future. The information may be presented as complete financial statements or limited to one or more elements, items, or accounts.

Relevant ethical requirements. Principles of professional ethics and ethical requirements to which the engagement team and, if applicable, the engagement quality reviewer are subject, which consist of the AICPA code together with rules of applicable state boards of accountancy and applicable regulatory agencies that are more restrictive.

Special purpose financial statements. Financial statements prepared in accordance with a special purpose framework.

Special purpose framework. A financial reporting framework other than GAAP that is one of the following bases of accounting: (Ref: par. .A13)

[2][Footnote deleted by the issuance of SSARS No. 23, October 2016.]

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a. **Cash basis.** A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets).

b. **Tax basis.** A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements.

c. **Regulatory basis.** A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance department).

d. **Contractual basis.** A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the accountant.

e. **Other basis.** A basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements, for example, the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities.

The cash basis, tax basis, regulatory basis, and other basis of accounting are commonly referred to as other comprehensive bases of accounting.

[Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. As amended, effective for engagements performed in accordance with SSARSs for periods ending on or after June 15, 2019, by SSARS No. 24. As amended, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. As amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Requirements

Ethical Requirements

.08 The accountant should comply with relevant ethical requirements. (Ref: par. .A16–.A19)

Professional Judgment

.09 The accountant should exercise professional judgment in the performance of an engagement in accordance with SSARSs. (Ref: par. .A20–.A24)

Conduct of the Engagement in Accordance With SSARSs

.10 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*.[3]

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Complying With AR-C Sections Relevant to the Engagement

.11 The accountant should comply with all AR-C sections relevant to the engagement. An AR-C section is relevant to the engagement when the AR-C section is in effect, and the circumstances addressed by the AR-C section exist. (Ref: par. .A24–.A29)

.12 The accountant should have an understanding of the entire text of an AR-C section, including its application and other explanatory material, to understand its objectives and apply its requirements properly. (Ref: par. .A31–.A35)

.13 An accountant should not represent compliance with SSARSs in the accountant's compilation or review report unless the accountant has complied with the requirements of this section and all other AR-C sections relevant to the engagement.

Complying With Relevant Requirements

.14 Subject to paragraph .16, the accountant should comply with each requirement of the relevant AR-C section unless, in the circumstances of the engagement, the requirement is not relevant because it is conditional, and the condition does not exist. (Ref: par. .A36)

Defining Professional Responsibilities in SSARSs

.15 SSARSs use the following two categories of professional requirements, identified by specific terms, to describe the degree of responsibility they impose on accountants:

- *Unconditional requirements.* The accountant must comply with an unconditional requirement in all cases in which such requirement is relevant. SSARSs use the word "must" to indicate an unconditional requirement.
- *Presumptively mandatory requirements.* The accountant must comply with a presumptively mandatory requirement in all cases in which such a requirement is relevant, except in rare circumstances discussed in paragraph .16. SSARSs use the word "should" to indicate a presumptively mandatory requirement. (Ref: par. .A37)

.16 In rare circumstances, the accountant may judge it necessary to depart from a relevant presumptively mandatory requirement. In such circumstances, the accountant should perform alternative procedures to achieve the intent of the requirement. The need for an accountant to depart from a relevant, presumptively mandatory requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the intent of the requirement.

.17 If, in rare circumstances, the accountant judges it necessary to depart from a relevant presumptively mandatory requirement, the accountant must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement. [Paragraph added, effective October 2016, by SSARS No. 23.]

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[3]Paragraph .02 of section 90, *Review of Financial Statements*.

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Interpretive Publications

.18 The accountant should consider applicable interpretive publications in the performance of an engagement in accordance with SSARSs. (Ref: par. .A38) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Other Preparation, Compilation and Review Publications

.19 In applying the guidance included in an other preparation, compilation and review publication, the accountant should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the engagement. (Ref: par. .A39–.A41) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Engagement Level Quality Management

.20 In an engagement performed in accordance with SSARSs, the engagement partner should determine that members of the engagement team have the appropriate competence and capabilities, including sufficient time, to perform the engagement. (Ref: par. .A42) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. As amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.21 In an engagement performed in accordance with SSARSs, the engagement partner should take responsibility for the following: (Ref: par. .A43–.A47)

a. The overall managing and achieving of quality on the engagement, including taking responsibility for creating an environment for the engagement that emphasizes the firm's culture and expected behavior of engagement team members. In doing so, the engagement partner should be sufficiently and appropriately involved throughout the engagement such that the engagement partner has the basis for determining that the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement.

b. Directing, supervising, planning, and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements. If the engagement partner assigns the design or performance of procedures, tasks, or actions related to a requirement of this section to other members of the engagement team to assist the engagement partner in complying with the requirements of this section, the engagement partner should continue to take overall responsibility for managing and achieving quality on the engagement through direction and supervision of those members of the engagement team and review of their work.

c. The accountant's report being appropriate in the circumstances

d. The engagement being performed in accordance with the firm's policies or procedures, including the following:

    i. Being satisfied that the firm's policies or procedures for the acceptance and continuance of client relationships and engagements have been followed, and that conclusions reached are appropriate, including considering whether there

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is information that would lead the engagement partner to conclude that management lacks integrity (Ref: par. .A49–.A50)

ii. Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement

iii. Taking responsibility for appropriate engagement documentation being maintained

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. As amended, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. As amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Relevant Considerations After Engagement Acceptance

.22 If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the engagement partner should communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Compliance With Relevant Ethical Requirements

.23 The engagement partner should have an understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the engagement. (Ref: par. .A51–.A54) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. As amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.24 The engagement partner should take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the engagement, and the firm's related policies or procedures, including those that address the following: (Ref: par. .A43 and .A52–.A56)

a. Identifying, evaluating, and addressing threats to compliance with relevant ethical requirements, including those related to independence, if applicable to the circumstances of the engagement

b. Circumstances that may cause a breach of relevant ethical requirements, including those related to independence, if applicable to the circumstances of the engagement, and the responsibilities of members of the engagement team when they become aware of breaches

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c. The responsibilities of members of the engagement team when they become aware of an instance of noncompliance with laws and regulations by the entity

[Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.25 If matters come to the engagement partner's attention that indicate that a threat to compliance with relevant ethical requirements exists, the engagement partner should evaluate the threats by complying with the firm's policies or procedures, using relevant information from the firm, the engagement team, or other sources; and take appropriate action. (Ref: par. .A55–.A56) [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.26 The engagement partner should remain alert throughout the engagement, through observation and making inquiries as necessary, for breaches of relevant ethical requirements or the firm's related policies or procedures by members of the engagement team. (Ref: par. .A57) [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.27 If matters come to the engagement partner's attention through the firm's system of quality management, or from other sources, that indicate that relevant ethical requirements applicable to the nature and circumstances of the engagement have not been fulfilled, the engagement partner, in consultation with others in the firm, should take appropriate action. (Ref: par. .A58) [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.28 In a compilation or review engagement, prior to dating the accountant's report, the engagement partner should take responsibility for determining whether relevant ethical requirements, including, in a review engagement, those related to independence, have been fulfilled. (Ref: par. .A59) [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Monitoring and Remediation

.29 The engagement partner should take responsibility for the following:

a. Obtaining an understanding of the information from the firm's monitoring and remediation process, as communicated by the firm, including, as applicable, the information from the monitoring and remediation process of the network and across the network firms

b. Determining the relevance and effect on the engagement of the information referred to in paragraph .29*a* and taking appropriate action

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c. Remaining alert throughout the engagement for information that may be relevant to the firm's monitoring and remediation process and communicating such information to those responsible for the process

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Acceptance and Continuance of Client Relationships and Engagements

.30 The accountant should not accept an engagement to be performed in accordance with SSARSs if (Ref: par. .A60)

a. the accountant has reason to believe that relevant ethical requirements, including, if applicable, those related to independence, will not be satisfied;

b. the accountant's preliminary understanding of the engagement circumstances indicates that information needed to perform the engagement is likely to be unavailable or unreliable; or (Ref: par. .A62)

c. the accountant has cause to doubt management's integrity such that it is likely to affect the performance of the engagement.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.31 As a precondition for accepting an engagement to be performed in accordance with SSARSs, the accountant should

a. determine whether the financial reporting framework selected by management to be applied in the preparation of the financial statements is acceptable. (Ref: par. .A63–.A69)

b. obtain the agreement of management that it acknowledges and understands its responsibility (Ref: par. .A70–.A74)

    i. for the selection of the financial reporting framework to be applied in the preparation of financial statements.

    ii. for 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, unless the accountant decides to accept responsibility for such internal control. (Ref: par. .A75)

    iii. for preventing and detecting fraud.

    iv. for ensuring that the entity complies with laws and regulations applicable to its activities.

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v. for the accuracy and completeness of the records, documents, explanations, and other information, including significant judgments provided by management for the preparation of financial statements.

vi. to provide the accountant with (Ref: par. .A76)

1. access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

2. additional information that the accountant may request from management for the purpose of the engagement.

3. unrestricted access to persons within the entity of whom the accountant determines it necessary to make inquiries.

[Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. As amended, effective for engagements performed in accordance with SSARSs for periods ending on or after June 15, 2019, by SSARS No. 24. As amended, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Application and Other Explanatory Material

[.A1–.A3] [Paragraphs deleted by the issuance of SSARS No. 23, October 2016.]

Scope of This Section (Ref: par. .04)

.A4 If the accountant is engaged to perform a professional service in accordance with SSARSs on financial information other than financial statements (for example, the preparation or compilation of prospective financial information or the compilation of pro forma financial information), references in this section to *financial statements* are to be taken as references to such other financial information. [Paragraph added, effective October 2016, by SSARS No. 23.]

.A5 The preparation and fair presentation of the financial statements require

- the identification of the applicable financial reporting framework, in the context of any relevant laws or regulations.
- the preparation and fair presentation of the financial statements in accordance with that framework.
- the inclusion of an adequate description of that framework in the financial statements.

The preparation and fair presentation of the financial statements require management to exercise judgment when making accounting estimates that are reasonable in the circumstances as well as when selecting and applying appropriate accounting policies.

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These judgments are made in the context of the applicable financial reporting framework. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A6 The financial statements may be prepared in accordance with one of the following:

- A general purpose framework (a financial reporting framework designed to meet the common financial information needs of a wide range of users)
- A special purpose framework

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A7 The applicable financial reporting framework often encompasses financial accounting standards promulgated by an authorized or recognized standards-setting organization or legislative or regulatory requirements. In some cases, the financial reporting framework may encompass both financial accounting standards promulgated by an authorized or recognized standards-setting organization and legislative or regulatory requirements. Other sources may provide direction on the application of the applicable financial reporting framework. In some cases, the applicable financial reporting framework may encompass such other sources or may even consist only of such sources. Such other sources may include the following:

- The legal and ethical environment, including statutes, regulations, court decisions, and professional ethical obligations regarding accounting matters
- Published accounting interpretations of varying authority issued by standards-setting, professional, or regulatory organizations
- Published views of varying authority on emerging accounting issues issued by standards-setting, professional, or regulatory organizations
- General and industry practices widely recognized and prevalent
- Accounting literature

When conflicts exist between the financial reporting framework and the sources from which direction on its application may be obtained or among the sources that encompass the financial reporting framework, the source with the highest authority prevails. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A8 The requirements of the applicable financial reporting framework determine the form and content of the financial statements. Although the framework may not specify how to account for or disclose all transactions or events, it ordinarily embodies sufficiently broad principles that can serve as a basis for developing and applying accounting policies that are consistent with the concepts underlying the requirements of the framework. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A9 The financial accounting standards promulgated by organizations that are authorized or recognized to promulgate standards to be used by entities for preparing financial statements in accordance with a general purpose framework include the FASB *Accounting*

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Standards Codification®; International Financial Reporting Standards, issued by the International Accounting Standards Board; Statements of Federal Financial Accounting Standards, issued by the Federal Accounting Standards Advisory Board for U.S. federal government entities; and Statements of the Governmental Accounting Standards Board, issued by the Governmental Accounting Standards Board for U.S. state and local governmental entities. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A10 The requirements of the applicable financial reporting framework also determine what constitutes a complete set of financial statements. In the case of many frameworks, financial statements are intended to provide information about the financial position, financial performance, and cash flows of an entity. For example, a complete set of financial statements might include a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and related notes. For some other financial reporting frameworks, a single financial statement and the related notes might constitute a complete set of financial statements. Examples of a single financial statement, each of which would include related notes, include the following:

- Balance sheet
- Statement of income or statement of operations
- Statement of retained earnings
- Statement of cash flows
- Statement of assets and liabilities
- Statement of changes in owners' equity
- Statement of revenue and expenses
- Statement of operations by product lines

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A11 An accountant may be engaged to prepare or perform a compilation or review engagement on a complete set of financial statements or an individual financial statement (for example, balance sheet only). The financial statements may be for an annual period or for a shorter or longer period, depending on management's needs. However, it is likely not appropriate for the entity to present financial statements for a period longer or shorter than an annual period in a comparative presentation with financial statements for an annual period. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Definitions (Ref: par. .07)

"Engagement Partner" (Ref: par. 07)

.A12 Appendix B to the AICPA Code of Professional Conduct, "Council Resolution Concerning the Form of Organization and Name Rule," states that there must be a CPA

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who has ultimate responsibility for all engagements performed in accordance with SSARSs, and non-CPA owners could not assume ultimate responsibility for any such engagements. Law or regulation may include additional requirements. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

"Network" and "Network Firm" (Ref: par. 07)

.A13 The definitions of *network* or *network firm* in relevant ethical requirements may differ from those set out in this section. The AICPA code also provides guidance in relation to the terms *network* and *network firm*. Networks and other network firms may be structured in a variety of ways and are, in all cases, external to the firm. The provisions in this section in relation to networks also apply to any structures or organizations that do not form part of the firm but that exist within the network. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Other Preparation, Compilation, and Review Publications (Ref: par. 07)

.A14 Other preparation, compilation, and review publications include

- AICPA preparation, compilation, and review publications not defined as interpretive publications;
- AICPA's annual alert addressing engagements performed in accordance with SSARSs;
- articles addressing preparation, compilation, and review engagements in the *Journal of Accountancy* and other professional journals;
- continuing professional education programs and other instruction materials,
- textbooks, guide books, programs for preparation, compilation, and review engagements
- checklists; and
- other publications addressing preparation, compilation, and review engagements from state CPA societies, other organizations, and individuals.

[Paragraph added, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

Special Purpose Framework (Ref: par. 07)

.A15 Certain regulators, including state and local government legislators, regulatory agencies, or departments, require financial statements to be prepared in accordance with a financial reporting framework that is based on a framework promulgated by an authorized or recognized standard-setting organization (for example, FASB or GASB) but does not include all the requirements of that framework. Such frameworks are regulatory bases of accounting, as described in paragraph .07. In some circumstances, however, the cash or

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tax basis of accounting may be permitted by a regulator. For purposes of SSARSs, the cash and tax bases of accounting are not regulatory bases of accounting. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

Ethical Requirements (Ref: par. .08)

.A16 The accountant is subject to relevant ethical requirements relating to engagements performed in accordance with SSARSs. Ethical requirements consist of those contained in the AICPA Code of Professional Conduct, together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A17 The AICPA Code of Professional Conduct establishes the fundamental principles of professional ethics, which include the following:

- Responsibilities
- The public interest
- Integrity
- Objectivity and independence
- Due care
- Scope and nature of services

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A18 Due care requires the accountant to discharge professional responsibilities with competence and have the appropriate capabilities to perform the engagement and enable an appropriate accountant's report to be issued, if applicable. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A19 Statement on Quality Management Standards No. 1, *A Firm's System of Quality Management* (SQMS No. 1) (QM sec. 10), sets out the firm's responsibilities to design, implement, and operate a system of quality management for engagements performed in accordance with SSARSs. As part of its system of quality management, SQMS No. 1 requires the firm to establish quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those related to independence, if applicable.[4] [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No.

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25, February 2020. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Professional Judgment (Ref: par. .09)

.A20 Professional judgment is essential to the proper conduct of an engagement in accordance with SSARSs because interpretation of relevant ethical requirements and SSARSs and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A21 The distinguishing feature of the professional judgment expected of the accountant is that it is exercised by an accountant whose training, knowledge, and experience have assisted in developing the necessary competencies to achieve reasonable judgments and make informed decisions about appropriate courses of action when undertaking an engagement in accordance with SSARSs. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, assists the accountant in making informed and reasonable judgments. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A22 The exercise of professional judgment in individual engagements is based on the facts and circumstances that are known by the accountant throughout the engagement, including

- knowledge acquired from engagements carried out for the entity's financial statements in prior periods, where applicable.
- the accountant's understanding of the entity and its environment, including its accounting system, and the application of the applicable financial reporting framework in the entity's industry.
- the extent to which the preparation and presentation of the financial statements requires the exercise of judgment by management or the accountant, if applicable.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A23 Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of SSARSs and accounting principles and is appropriate in

[4]Paragraph .30 of Statement on Quality Management Standards No. 1, *A Firm's System of Quality Management* (QM sec. 10). [As amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

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light of, and consistent with, the facts and circumstances that were known to the accountant up to the date of the issuance of financial statements prepared by the accountant or the date of the accountant's compilation or review report. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A24 Professional judgment needs to be exercised throughout the engagement performed in accordance with SSARSs. It also needs to be appropriately documented in accordance with the requirements of the applicable AR-C section. Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or, in a review engagement, the evidence obtained. [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Conduct of an Engagement in Accordance With SSARSs

Complying With AR-C Sections Relevant to the Engagement (Ref: par. .11–.12)

.A25 ARSC is designated to promulgate standards under the "General Standards Rule" (ET sec. 1.300.001) and the "Compliance With Standards Rule" (ET sec. 1.310.001) of the AICPA Code of Professional Conduct[5] with respect to unaudited financial statements or other unaudited financial information of an entity that is not required to file financial statements with a regulatory agency in connection with the sale or trading of its securities in a public market. ARSC develops and issues standards in the form of SSARSs through a process that includes deliberation in meetings open to the public, public exposure of proposed SSARSs, and a formal vote. SSARSs are codified in AR-C sections in AICPA *Professional Standards*. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A26 SSARSs provide the standards used for fulfilling the overall objectives of the accountant's work. SSARSs address the general responsibilities of the accountant as well as the accountant's further considerations relevant to the application of those responsibilities to specific topics. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A27 The scope, effective date, and any specific limitation of the applicability of a specific AR-C section are made clear in the AR-C section. Unless otherwise stated in the AR-C section, the accountant is permitted to apply an AR-C section before the effective date specified therein. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

[5]AICPA's Professional Ethics Executive Committee has restructured the Code of Professional Conduct. References in this standard are to the revised code, which is effective December 15, 2014. It is available at http://pub.aicpa.org/codeofconduct.

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.A28 In certain engagements, the accountant also may be required to comply with other requirements in addition to SSARSs. SSARSs do not override law or regulation that governs a review, compilation, or an engagement to prepare financial statements. In the event that such law or regulation differs from SSARSs, an engagement conducted only in accordance with law or regulation will not necessarily comply with SSARSs. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A29 The accountant may also conduct the compilation or review of financial statements in accordance with both SSARSs and

- International Standard on Related Services 4410 (Revised), *Compilation Engagements*,
- International Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements*, or
- compilation or review standards of a specific jurisdiction or country.

In such cases, in addition to complying with each of the AR-C sections relevant to the engagement, it may be necessary for the accountant to perform additional compilation or review procedures in order to comply with the other compilation or review standards. [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A30 SSARSs are relevant to engagements to prepare financial statements and compilations and reviews of financial statements of governmental entities. The accountant's responsibilities, however, may be affected by law, regulation, or other authority (such as government policy requirements or resolutions of the legislature), which may encompass a broader scope than an engagement in accordance with SSARSs. These additional responsibilities are not dealt with in SSARSs. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A31 In addition to objectives and requirements, an AR-C section contains related guidance in the form of application and other explanatory material. It may also contain introductory material that provides context relevant to a proper understanding of the AR-C section and definitions. The entire text of an AR-C section, therefore, is relevant to an understanding of the objectives stated in an AR-C section and the proper application of the requirements of an AR-C section. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A32 When necessary, the application and other explanatory material provides further explanation of the requirements of an AR-C section and guidance for carrying them out. In particular, it may

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- explain more precisely what a requirement means or is intended to cover.
- include examples of procedures that may be appropriate in the circumstances.

Although such guidance does not, in itself, impose a requirement, it is relevant to the proper application of the requirements of an AR-C section. The accountant is required by paragraph .12 to understand the application and other explanatory material; how the accountant applies the guidance in the engagement depends on the exercise of professional judgment in the circumstances consistent with the objective of the AR-C section. The words "may," "might," and "could" are used to describe these actions and procedures. The application and other explanatory material may also provide background information on matters addressed in an AR-C section. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A33 Appendixes form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related AR-C section or within the title and introduction of the appendix itself. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A34 Introductory material may include, as needed, such matters as explanation of the following:

- The purpose and scope of the AR-C section, including how the AR-C section relates to other AR-C sections
- The subject matter of the AR-C section
- The respective responsibilities of the accountant and others in relation to the subject matter of the AR-C section
- The context in which the AR-C section is set

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A35 An AR-C section may include, in a separate section under the heading "Definitions," a description of the meanings attributed to certain terms for purposes of SSARSs. These are provided to assist in the consistent application and interpretation of SSARSs and are not intended to override definitions that may be established for other purposes, whether in law, regulation, or otherwise. Unless otherwise indicated, those terms will carry the same meanings throughout SSARSs. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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Complying With Relevant Requirements (Ref: par. .14)

.A36 In some cases, a requirement may be expressed as being conditional on applicable law or regulation. For example, the accountant may be required to withdraw from the engagement when withdrawal is possible under applicable law or regulation, or the accountant may be required to perform a certain action, unless prohibited by law or regulation. [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Defining Professional Responsibilities in SSARSs (Ref: par. .15)

.A37 If an AR-C section provides that a procedure or action is one that the accountant "should consider," consideration of the procedure or action is presumptively required. Whether the accountant performs the procedure or action is based upon the outcome of the accountant's consideration and the accountant's professional judgment. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Interpretive Publications (Ref: par. .18)

.A38 Interpretive publications are not SSARSs. *Interpretive publications* are recommendations on the application of SSARSs in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of ARSC only after all ARSC members have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with SSARSs. Compilation and review interpretations of SSARSs and exhibits to SSARSs are included in the AR-C sections. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Other Preparation, Compilation and Review Publications (Ref: par. .19)

.A39 Other preparation, compilation and review publications have no authoritative status; however, they may help the accountant understand and apply SSARSs. The accountant is not expected to be aware of the full body of other preparation, compilation and review publications. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A40 Although the accountant determines the relevance of these publications in accordance with paragraph .19, the accountant may presume that other preparation, compilation and review publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are appropriate. These other preparation, compilation and review publications are listed in the exhibit, "Other Preparation, Compilation and Review Publications." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.

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Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A41 When determining whether an other preparation, compilation and review publication that has not been reviewed by the AICPA Audit and Attest Standards staff is appropriate to the circumstances of the engagement, the accountant may wish to consider the degree to which the publication is recognized as being helpful in understanding and applying SSARSs and the degree to which the publisher or author is recognized as an authority in matters addressing preparation, compilation, and review engagements. An other preparation, compilation, and review publication that has not been reviewed by the AICPA Audit and Attest Standards staff that contradicts an other preparation, compilation and review publication that has been reviewed by the AICPA Audit and Attest Standards staff is inappropriate. [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Revised, February 2017, to better reflect the AICPA Council Resolution designating the PCAOB to promulgate technical standards. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Engagement Level Quality Management (Ref: par. .20–.21 and .24)

.A42 When determining that the members of the engagement team have the appropriate competence and capabilities to perform the engagement, the engagement partner may take into consideration such matters as the member's

- understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation.
- understanding of professional standards and applicable legal and regulatory requirements.
- technical expertise, including expertise with relevant information technology and specialized areas of accounting or attest services.
- knowledge of relevant industries in which the entity operates.
- ability to exercise professional skepticism, if applicable, and professional judgment.
- understanding of the firm's quality management policies or procedures.

[Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A43 Within the context of the firm's system of quality management, engagement teams have a responsibility to implement the firm's policies or procedures that are applicable to the engagement and communicate to the firm information arising from the engagement that is required to be communicated by the firm's policies or procedures to support the firm's system of quality management. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph renumbered and amended, effective for engagements performed in

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accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A44 The actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking overall responsibility for managing and achieving quality on each engagement, emphasize the fact that quality is essential when performing an engagement in accordance with SSARSs and the importance to the quality of the engagement of

a. performing work that complies with professional standards and regulatory and legal requirements.

b. complying with the firm's quality management policies or procedures, as applicable.

c. issuing a report, if applicable, for the engagement that is appropriate in the circumstances.

d. the engagement team's ability to raise concerns without fear of reprisals.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A45 Ordinarily, the engagement team may depend on the firm's policies or procedures unless

- the engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement, or
- information provided by the firm or other parties about the effectiveness of such policies or procedures suggests they cannot be relied on (for example, information provided by the firm's monitoring activities, external inspections, or other relevant sources indicates that the firm's policies or procedures are not operating effectively).

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A46 For example, the engagement team may depend on the firm's policies and procedures in relation to

- competence and capabilities of personnel through their recruitment and formal training.

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- independence through the accumulation and communication of relevant independence information.
- maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and specific engagements.
- adherence to regulatory and legal requirements through the firm's monitoring and remediation process.

When considering the deficiencies identified in the firm's system of quality management that may affect the engagement, the engagement partner may consider the remedial actions undertaken by the firm to address those deficiencies. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A47 A deficiency in the firm's system of quality management does not necessarily indicate that an engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements or that the accountant's report, if applicable, was not appropriate in the circumstances. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

[.A48] [Subsequently renumbered and deleted by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Acceptance and Continuance of Client Relationships and Engagements Performed in Accordance With SSARSs (Ref: par. .21di)

.A49 SQMS No. 1 requires the firm to establish quality objectives that address acceptance and continuance of client relationships and specific engagements. Information such as the following may assist the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and engagements are appropriate:

- The integrity and ethical values of the principal owners, key management, and those charged with governance of the entity
- Whether sufficient and appropriate resources are available to perform the engagement
- Whether management and those charged with governance have acknowledged their responsibilities in relation to the engagement
- Whether the engagement team has the competence and capabilities, including sufficient time, to perform the engagement

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- Whether significant matters that have arisen during the current or previous engagement have implications for continuing the engagement

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A50 If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it is not appropriate to accept the engagement, unless required by law or regulation, because doing so may lead to the accountant being associated with the entity's financial statements in an inappropriate manner. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Relevant Ethical Requirements (Ref: par. .23–.25)

.A51 Based on the nature and circumstances of the engagement, certain law, regulation, or aspects of relevant ethical requirements, such as those pertaining to noncompliance with laws or regulations, may be relevant to the engagement (for example, laws or regulations dealing with money laundering, corruption, or bribery). [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A52 The firm's information system and the resources provided by the firm may assist the engagement team in understanding and fulfilling relevant ethical requirements applicable to the nature and circumstances of the engagement. For example, the firm may do the following:

- Communicate the independence requirements to engagement teams, if applicable in the circumstances of the engagement
- Provide training for engagement teams on relevant ethical requirements
- Establish manuals and guides (that is, intellectual resources) containing the provisions of the relevant ethical requirements and guidance on how they are applied in the nature and circumstances of the firm and its engagements
- Assign personnel to manage and monitor compliance with relevant ethical requirements (for example, SQMS No. 1 requires that the firm obtains, at least annually, a documented confirmation of compliance with the independence requirements from all personnel required by relevant ethical requirements to be independent) or provide consultation on matters related to relevant ethical requirements
- Establish policies or procedures for engagement team members to communicate relevant and reliable information to appropriate parties within the firm or to the engagement partner, such as policies or procedures for engagement teams to
  - communicate information about client engagements and the scope of services, including non-assurance services, to enable the firm to identify threats to

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independence during the period of the engagement and during the period covered by the subject matter

— communicate circumstances and relationships that may create a threat to independence, so that the firm can evaluate whether such a threat is at an acceptable level and, if it is not, address the threat by eliminating it or reducing it to an acceptable level

— promptly communicate any breaches of the relevant ethical requirements, including those related to independence

[Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A53 The engagement partner may take into account the information, communication, and resources described in paragraph .A49 when determining whether the engagement partner may depend on the firm's policies or procedures in complying with relevant ethical requirements. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A54 Open and robust communication between the members of the engagement team about relevant ethical requirements may also assist in

- drawing the attention of engagement team members to relevant ethical requirements that may be of particular significance to the audit engagement, and
- keeping the engagement partner informed about matters relevant to the engagement team's understanding and fulfillment of relevant ethical requirements and the firm's related policies or procedures.

[Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Identifying and Evaluating Threats to Compliance With Relevant Ethical Requirements (Ref: par. .24–.25)

.A55 In accordance with SQMS No. 1, the firm's responses to address the quality risks in relation to relevant ethical requirements, including those related to independence for engagement team members, include policies or procedures for identifying, evaluating, and addressing threats to compliance with the relevant ethical requirements. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A56 Relevant ethical requirements may contain provisions regarding the identification and evaluation of threats and how they are to be dealt with. For example, the AICPA code (ET section 1.295.040) provides safeguards for reducing threats to independence to an acceptable level when performing nonattest services for an attest client. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

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Breaches of Relevant Ethical Requirements (Ref: par. .26)

.A57 In accordance with SQMS No. 1, the firm is required to establish policies or procedures for identifying, communicating, evaluating, and reporting any breaches of relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Taking Appropriate Action (Ref: par. .27)

.A58 Examples of appropriate actions may include the following:

- Following the firm's policies or procedures regarding breaches of relevant ethical requirements, including communicating to or consulting with the appropriate individuals so that appropriate action can be taken, including as applicable, disciplinary action.
- Communicating with those charged with governance.
- Communicating with regulatory authorities or professional bodies. In some circumstances, communication with regulatory authorities may be required by law or regulation.
- Seeking legal advice.
- Withdrawing from the engagement, when withdrawal is possible under applicable law or regulation.

[Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Prior to Dating the Accountant's Review Report (Ref: par. .28)

.A59 AR-C section 90, *Review of Financial Statements*, requires that the accountant's review report include a statement that the accountant is required to be independent of the entity and to meet the accountant's other ethical responsibilities in accordance with the relevant ethical requirements relating to the review.[6] Performing the procedures required by paragraphs .23–.28 provide the basis for these statements in the accountant's review report. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Acceptance and Continuance of Client Relationships and Engagements (Ref: par. .30–.31)

.A60 The accountant's consideration of acceptance and continuance of client relationships and relevant ethical requirements occurs throughout the engagement as conditions

[6]Paragraph .76*e*iii of section 90. [Footnote added, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

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and changes in circumstances occur. Performing initial procedures on acceptance and continuance of client relationships and evaluation of relevant ethical requirements at the beginning of an engagement informs the accountant's decisions and actions prior to the performance of other significant activities for the engagement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025, by SSARS No. 26.]

[.A61] [Paragraph subsequently renumbered and deleted by the issuance of SSARS No. 26, June 2022.]

.A62 This consideration is not directed at the need that sometimes arises in the course of an engagement to assist management by recommending adjusting entries required to finalize the financial statements prepared by management. An example of where the accountant may have cause to doubt whether the information needed to perform the review will be available or reliable is when the accounting records necessary for performing analytical procedures are suspected to be substantially inaccurate or incomplete. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

The Applicable Financial Reporting Framework

.A63 An applicable financial reporting framework provides the criteria for management to present the financial statements of an entity, including the fair presentation of those financial statements. The criteria used by the accountant to evaluate or measure the subject matter, including, when relevant, a basis for presentation and disclosure, are also provided by the financial reporting framework. These criteria enable reasonably consistent evaluation or measurement of a subject matter within the context of professional judgment. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A64 Without an acceptable financial reporting framework, management does not have an appropriate basis for the preparation of the financial statements, and the accountant does not have suitable criteria for an engagement in accordance with SSARSs. In many cases, the accountant may presume that the applicable financial reporting framework is acceptable, as described in paragraphs .A69–.A71. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

Determining the Acceptability of the Financial Reporting Framework

.A65 Factors that are relevant to the accountant's determination of the acceptability of the financial reporting framework selected by management to be applied in the preparation of the financial statements include the following:

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- The nature of the entity (for example, whether it is a business enterprise, a governmental entity, or a not-for-profit organization)
- The purpose of the financial statements (for example, whether they are prepared to meet the common financial information needs of a wide range of users)
- The nature of the financial statements (for example, whether the financial statements are a complete set of financial statements or a single financial statement)
- Whether law or regulation prescribes the applicable financial reporting framework

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and amended, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A66 Many users of financial statements are not in a position to demand financial statements tailored to meet their specific information needs. Although all the information needs of specific users cannot be met, financial information needs that are common to a wide range of users exist. Financial statements prepared in accordance with a financial reporting framework designed to meet the common financial information needs of a wide range of users are referred to as *general purpose financial statements*. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A67 General purpose frameworks. The sources of established accounting principles that are generally accepted are accounting principles promulgated by a body designated by the Council of the AICPA to establish such principles, pursuant to the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct. Such financial reporting standards often are identified as the applicable financial reporting framework in law or regulation governing the preparation of general purpose financial statements. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A68 Special purpose frameworks. In some cases, the financial statements will be prepared in accordance with a special purpose framework. For example, law or regulation may prescribe the financial reporting framework to be used in the preparation of financial statements for certain types of entities. Such financial statements are referred to as *special purpose financial statements*. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A69 After the engagement has been accepted, the accountant may encounter deficiencies in the applicable financial reporting framework that indicate that the framework is not acceptable. When use of that framework is not prescribed by law or regulation, management may decide to adopt another framework that is acceptable. When management does so, the previously agreed-upon terms will have changed. [Paragraph added, effective

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for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A70 In accordance with this section, the accountant is required to obtain the agreement of management on management's responsibilities in relation to the financial statements as a condition precedent to accepting the engagement. In smaller entities, management may not be well-informed about what those responsibilities are, including those arising in applicable law or regulation. In order to obtain management's agreement on an informed basis, the accountant may find it necessary to discuss those responsibilities with management in advance of seeking management's agreement on its responsibilities. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A71 The financial statements are those of the entity. This section does not impose responsibilities on management and those charged with governance, nor does it override laws and regulations that govern their respective responsibilities. However, an engagement performed in accordance with SSARSs is conducted on the premise that management, and those charged with governance, as appropriate, have acknowledged certain responsibilities that are fundamental to the conduct of the engagement. The accountant's engagement does not relieve management and those charged with governance of their responsibilities. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A72 As part of its responsibility for the preparation of the financial statements, management is required to exercise judgment in making accounting estimates that are reasonable in the circumstances and to select and apply appropriate accounting policies. These judgments are made in the context of the applicable financial reporting framework. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A73 Because of the significance of the preconditions for undertaking an engagement in accordance with SSARSs, the accountant is required, in accordance with this section, to obtain management's agreement that it understands its responsibilities before accepting a SSARSs engagement. The accountant may obtain management's agreement either orally or in writing. However, management's agreement is subsequently recorded within the written terms of the engagement. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A74 If management, and those charged with governance, where appropriate, do not or will not acknowledge their responsibilities in relation to the financial statements, it is not appropriate to accept the engagement. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

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.A75 Although the accountant may accept responsibility for the design, implementation, and maintenance of internal control, accepting such responsibility would impair the accountant's independence.[7] Therefore, if an accountant accepts such responsibility, the accountant would be precluded from performing a review of the financial statements. [Paragraph added, effective for compilations and reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered by the issuance of SSARS No. 25, February 2020. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A76 The accountant is entitled to rely on management to provide all relevant information for the engagement. The form of the information provided by management for the purpose of the engagement will vary in different engagement circumstances. In broad terms, it will comprise records, documents, explanations, and other information relevant to the preparation of the financial statements in accordance with the financial reporting framework adopted by management. The information provided may include, for example, information about management's assumptions, intentions, or plans underlying development of accounting estimates needed to prepare the financial statements in accordance with the applicable financial reporting framework. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

[7] ET sec. 1.295.030.02*k*. [Footnote renumbered by the issuance of SSARS No. 26, June 2022.]

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Exhibit — Other Preparation, Compilation and Review Publications

.A77

This listing identifies *other preparation, compilation and review publications* published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff and are, therefore, presumed to be appropriate, as defined in section 60. Products may be obtained through www.aicpastore.com.

Technical Questions and Answers

- Q&A Section 9150, *Preparation, Compilation, and Review Engagements*

Other Publications

Analytical Procedures in a Review Engagement

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

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AR-C Section 70

Preparation of Financial Statements

Source: SSARS No. 21; SSARS No. 23; SSARS No. 25; SSARS No. 26; SSARS No. 27.

Effective for the preparation of financial statements for periods ending on or after December 15, 2015, unless otherwise indicated.

Introduction

Scope of This Section

.01 This section applies when an accountant in public practice is engaged to prepare financial statements or prospective financial information and is not engaged to perform an audit, review, or compilation of those financial statements or a compilation or examination of that prospective financial information. This section may be applied, adapted as appropriate in the circumstances, to the preparation of other historical financial information. This section is not required to be applied, but application is not precluded, in whole or in part, when an accountant prepares financial statements or prospective financial information (Ref: par. .A1–.A4)

a. as part of a consulting services engagement performed in accordance with CS section 100, *Consulting Services: Definitions and Standards*, in which the preparation of financial statements is not the primary objective of the engagement. (Ref: par. .A5)

b. as part of a personal financial plan performed in accordance with PFP section 100, *Statement on Standards for Personal Financial Planning Services*.

c. as part of an engagement to estimate the value of a business, business ownership interest, security, or intangible asset in accordance with VS section 100, *Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset*.

d. solely for submission to taxing authorities.

e. in conjunction with litigation services that involve pending or potential legal or regulatory proceedings.[1]

[As amended, effective for prospective financial information prepared on or after May 1, 2017, by SSARS No. 23. As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2026, by SSARS No. 27.]

.02 The determination about whether the accountant has been engaged to prepare financial statements or merely assist in preparing financial statements (which is a bookkeeping

[1][Footnote deleted by the issuance of SSARS No. 23, October 2016.]

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service that is not subject to this section) is determined based on services the client requests the accountant to perform and the accountant's professional judgment. (Ref: par. .A6) [As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2026, by SSARS No. 27.]

The Preparation Engagement

.03 An engagement to prepare financial statements is a nonattest service and does not require a determination about whether the accountant is independent of the entity. (Ref: par. .A7)

.04 In addition, an engagement to prepare financial statements does not require the accountant to verify the accuracy or completeness of the information provided by management or otherwise gather evidence to express an opinion or a conclusion on the financial statements or otherwise report on the financial statements.

Effective Date

.05 This section is effective for the preparation of financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

Objective

.06 The objective of the accountant is to prepare financial statements pursuant to a specified financial reporting framework.

Definitions

.07 For purposes of Statements on Standards for Accounting and Review Services (SSARSs), the following terms have the meanings attributed as follows:

Management. The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance (for example, executive members of a governance board or an owner-manager).

Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of an entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).

[As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

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Requirements

General Principles for Performing Engagements to Prepare Financial Statements

.08 In addition to complying with this section, an accountant is required to comply with section 60, *General Principles For Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*.

Acceptance and Continuance of Client Relationships and Engagements to Prepare Financial Statements

.09 If the accountant is not satisfied with any of the matters set out in paragraph .31 of section 60 as preconditions for accepting an engagement to prepare financial statements, the accountant should discuss the matter with management or those charged with governance. If changes cannot be made to satisfy the accountant about those matters, the accountant should not accept the proposed engagement.

Agreement on Engagement Terms

.10 The accountant should agree upon the terms of the engagement with management or those charged with governance, as appropriate. The agreed-upon terms of the engagement should be documented in an engagement letter or other suitable form of written agreement between the parties and should include the following: (Ref: par. .A9–.A13)

a. The objective of the engagement

b. The responsibilities of management set forth in paragraph .31*b* of section 60

c. The agreement of management that each page of the financial statements will include a statement indicating that no assurance is provided on the financial statements or the accountant will be required to issue a disclaimer that makes clear that no assurance is provided on the financial statements. (Ref: par. .A15)

d. The responsibilities of the accountant

e. The limitations of the engagement to prepare financial statements

f. Identification of the applicable financial reporting framework for the preparation of financial statements

g. Whether the financial statements are to contain a known departure or departures from the applicable financial reporting framework (including inadequate disclosure) or omit substantially all disclosures required by the applicable financial reporting framework

[As amended, effective October 2016, by SSARS No. 23.]

.11 The engagement letter or other suitable form of written agreement should be signed by

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a. the accountant or the accountant's firm and

b. management or those charged with governance, as appropriate. (Ref: par. .A12)

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework

.12 The accountant should obtain an understanding of the financial reporting framework and the significant accounting policies intended to be used in the preparation of the financial statements. (Ref: par. .A14)

Preparing the Financial Statements

.13 The accountant should prepare the financial statements using the records, documents, explanations, and other information provided by management.

.14 The accountant should ensure that a statement is included on each page of the financial statements indicating, at a minimum, that "no assurance is provided" on the financial statements. If the accountant is unable to include a statement on each page of the financial statements, the accountant should do one of the following: (Ref: par. .A15)

a. Issue a disclaimer that makes clear that no assurance is provided on the financial statements. (Ref: par. .A16)

b. Perform a compilation engagement in accordance with section 80, *Compilation Engagements*.

c. Withdraw from the engagement and inform management of the reasons for withdrawing. (Ref: par. .A17–.A18)

[As amended, effective October 2016, by SSARS No. 23. As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.15 When preparing financial statements in accordance with a special purpose framework, the accountant should include a description of the financial reporting framework on the face of the financial statements or in a note to the financial statements. (Ref: par. .A18)

.16 If, during the preparation of financial statements, the accountant assists management with significant judgments regarding amounts or disclosures to be reflected in the financial statements, the accountant should discuss those judgments with management so management understands the significant judgments reflected in financial statements and accepts responsibility for those judgments. (Ref: par. .A20 and .A26)

.17 If the accountant becomes aware that the records, documents, explanations, or other information, including significant judgments, used in the preparation of the financial statements are incomplete, inaccurate, or otherwise unsatisfactory, the accountant should bring that to the attention of management and request additional or corrected information. If management fails to provide such additional or corrected information, the accountant

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should disclose a material misstatement or misstatements in the financial statements in accordance with paragraph .18 or withdraw from the engagement and inform management of the reasons for withdrawing. (Ref: par. .A17–.A18) [As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.18 When, after discussions with management, the accountant prepares financial statements that contain a known departure or departures from the applicable financial reporting framework (including inadequate disclosure), the accountant should disclose the material misstatement or misstatements in the financial statements. (Ref: par. .A21)

Preparing Prospective Financial Information

.19 The summary of significant assumptions is essential to the user's understanding of prospective financial information. Accordingly, the accountant should not prepare prospective financial information that excludes disclosure of the summary of significant assumptions. Also, the accountant should not prepare a financial projection that excludes either (*a*) an identification of the hypothetical assumptions or (*b*) a description of the limitations on the usefulness of the presentation. [Paragraph added, effective for prospective financial information prepared on or after May 1, 2017, by SSARS No. 23.]

Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework

.20 When, after discussions with management, the accountant prepares financial statements that omit substantially all disclosures required by the applicable financial reporting framework, the accountant should disclose such omission either in the financial statements or in an accompanying disclaimer. (Ref: par. .A22) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.21 The accountant should not prepare financial statements that omit substantially all disclosures required by the financial reporting framework if, in the accountant's professional judgment, such financial statements would be misleading to users of the financial statements. (Ref: par. .A23–.A25) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Documentation in a Preparation Engagement

.22 The accountant should prepare documentation in connection with each preparation engagement in sufficient detail to provide a clear understanding of the work performed which, at a minimum, includes the following: (Ref: par. .A26)

a. The engagement letter or other suitable form of written documentation with management, as described in paragraphs .10–.11

b. A copy of the financial statements that the accountant prepared

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[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.23 If, in rare circumstances, the accountant judges it necessary to depart from a relevant presumptively mandatory requirement, the accountant must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Application and Other Explanatory Material

Scope of This Section (Ref: par. .01–.02)

.A1 If the accountant is engaged to prepare prospective financial information, references in this section to *financial statements* are to be taken as a reference to prospective financial information. [Paragraph added, effective for prospective financial information prepared on or after May 1, 2017, by SSARS No. 23.]

.A2 AICPA Guide *Prospective Financial Information* (the guide) provides comprehensive guidance regarding prospective financial information. Chapter 6, "Preparation Guidelines;" chapter 7, "Reasonably Objective Basis;" chapter 8, "Presentation Guidelines;" and chapter 9, "Illustrative Prospective Financial Statements," of the guide establish the preparation and presentation guidelines for financial forecasts and financial projections. The guide also includes information about the types and uses of prospective financial information. The guide provides suitable criteria for the preparation and presentation of prospective financial information. The accountant is not prohibited from preparing prospective financial information prepared and presented in accordance with other suitable criteria. [Paragraph added, effective for prospective financial information prepared on or after May 1, 2017, by SSARS No. 23.]

.A3 Other historical financial information to which this section may be applied includes the following:

- Specified elements, accounts, or items of a financial statement, such as schedules of rentals, royalties, profit participation, or provision for income taxes
- Supplementary information
- Required supplementary information
- Pro forma financial information

[Paragraph renumbered and amended, effective October 2016, by SSARS No. 23.]

.A4 An accountant may voluntarily apply certain requirements of this section in instances in which this section would not otherwise apply. For example, if the accountant is not required to apply this section, to address the risk that users of the entity's financial statements may be misled by the practitioner's perceived association with the financial statements, the accountant may include the statement required by paragraph .14 of this section that "no assurance is provided" on the financial statements. The inclusion of such

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a statement does not result in the accountant being required to perform the engagement in accordance with this section and no other requirements would be required to be applied. [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2026, by SSARS No. 27.]

.A5 Consulting services differ fundamentally from the CPA's function of attesting to the assertions of other parties. In a consulting service, the practitioner develops the findings, conclusions, and recommendations presented. The nature and scope of work is determined solely by agreement between the practitioner and the client. Generally, the work is performed only for the use and benefit of the client.[2] [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2026, by SSARS No. 27.]

.A6 The appendix, "Preparation of Financial Statements Versus Assistance in Preparing Financial Statements," provides examples of services that the accountant may be engaged to perform and whether this section would apply. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

The Preparation Engagement (Ref: par. .03)

.A7 The "Nonattest Services" subtopic of the "Independence Rule" (ET sec. 1.295) addresses the accountant's considerations with respect to independence when performing nonattest services for attest clients. For example, the accountant may prepare monthly or other interim financial statements and be engaged to perform an audit, review, or compilation engagement with respect to the annual financial statements. The accountant needs to be aware that the performance of the preparation services may impair independence unless the safeguards described in this subtopic are met. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

Definitions (Ref: par. .07)

[.A8] [Paragraph deleted by the issuance of SSARS No. 25, February 2020.]

Agreement on Engagement Terms (Ref: par. .10–.11)

.A9 Both management and the accountant have an interest in documenting the agreed-upon terms of the engagement to prepare financial statements before the commencement of the engagement to help avoid misunderstandings with respect to the engagement. For example, it reduces the risk that management may inappropriately rely on or may expect the accountant to protect management against certain risks or to perform certain functions, including those that are management's responsibility. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

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[2]Paragraph .02 of CS section 100, *Consulting Services: Definitions and Standards*. [Footnote added, effective for the preparation of financial statements for periods ending on or after December 15, 2026, by SSARS No. 27.]

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.A10 When a third party has contracted for an engagement to prepare the entity's financial statements, agreeing the terms of the engagement with management of the entity is necessary in order to establish that the preconditions for an engagement to prepare financial statements are present. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

.A11 The understanding with management regarding the services to be performed for engagements to prepare financial statements is required by paragraph .10 to be in a documented form, and, accordingly, an oral understanding is insufficient. An engagement letter is the most common, and usually the most convenient, method for documenting the understanding with management regarding the services to be performed for engagements to prepare financial statements. [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

.A12 The roles of management and those charged with governance in agreeing upon the terms of the engagement to prepare financial statements for the entity depend on the governance structure of the entity and relevant law or regulation. Depending on the entity's structure, the agreement may be with management, those charged with governance, or both. Nonetheless, when the agreement on the terms of engagement is only with those charged with governance in accordance with paragraph .31*b* of section 60, the accountant is required to obtain management's agreement that it acknowledges and understands its responsibilities. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

.A13 An illustrative example of an engagement letter for an engagement to prepare financial statements is presented in the exhibit, "Illustrative Engagement Letter." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework (Ref: par. .12)

.A14 The requirement that the accountant obtain an understanding of the financial reporting framework adopted by management intended to be used in the preparation of the financial statements and the significant accounting policies adopted by management does not prevent the accountant from accepting an engagement to prepare financial statements for an entity in an industry in which the accountant has no previous experience. The accountant may obtain such understanding, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals who are knowledgeable about the industry. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

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Preparing the Financial Statements (Ref: par. .10, .14–.16, and .18)

.A15 The statement on each page of the financial statements, including related notes, is intended to avoid misunderstanding on the part of users with respect to the accountant's involvement with the financial statements. The statement is made at management's discretion, and the accountant's firm name is not required to be included. The accountant is concerned that the indication is not misleading. Examples of a statement on each page of the financial statements include the following:

- No assurance is provided on these financial statements.
- These financial statements have not been subjected to an audit or review or compilation engagement, and no assurance is provided on them.

Other statements that convey that no assurance is provided on the financial statements would also be acceptable. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

.A16 An example of a disclaimer that the accountant may issue is as follows:

> The accompanying financial statements of XYZ Company as of and for the year ended December 31, 20XX, were not subjected to an audit, review, or compilation engagement by us and we do not express an opinion, a conclusion, nor provide any assurance on them.
>
> [*Signature of the accountant's firm*]
> [*City and state where the accountant practices*]
> [*Date*]

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. As amended, effective for the preparation of financial statements for periods beginning on or after December 15, 2025, by SSARS No. 26. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

.A17 In circumstances addressed by the requirements of this section in which withdrawal from the engagement is necessary, the responsibility to inform management of the reasons for withdrawing provides an opportunity to explain the accountant's ethical obligations. [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 27, April 2025.]

.A18 When making a determination about whether and how to withdraw from an engagement, the accountant may wish to consult with legal counsel. [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 27, April 2025.]

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.A19 A description of the special purpose framework is usually placed next to or under the title of the financial statements (for example "statement of assets and liabilities — modified cash basis"). However, the description may be placed elsewhere in the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

.A20 In the preparation of financial statements, the accountant may provide assistance to management with significant judgments (for example, the accountant may advise management on alternative accounting policies that are significant to the financial statements or help management with significant judgments regarding material accounting estimates). [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

.A21 The disclosure of the material misstatement or misstatements may be made on the face of the financial statements or in a note to the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework (Ref: par. .20–.21)

.A22 The disclosure of the omission of substantially all disclosures required by the applicable financial reporting framework may be made on the face of the financial statements or in a selected note to the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

.A23 The accountant may prepare financial statements that include disclosures about only a few matters in the notes to the financial statements. Such disclosures may be labeled "Selected Information — Substantially All Disclosures Required by [*the applicable financial reporting framework*] Are Not Included." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

.A24 Financial statements may be misleading, for example, if the applicable financial reporting framework includes the premise that the financial statements are prepared on the going concern basis and undisclosed uncertainties exist regarding the entity's ability to continue as a going concern. If the accountant becomes aware that uncertainties exist regarding the entity's ability to continue as a going concern, the accountant may suggest additional disclosures concerning the entity's ability to continue as a going concern in order to avoid the financial statements being misleading. [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 27, April 2025.]

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.A25 Disclosure of items, such as an uncertainty, is not required in financial statements in which substantially all the disclosures required by the applicable financial reporting framework are omitted. [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 27, April 2025.]

Documentation in a Preparation Engagement (Ref: par. .16 and .22)

.A26 Documentation may include documentation regarding significant consultations or significant professional judgments made throughout the engagement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

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Appendix — Preparation of Financial Statements Versus Assistance in Preparing Financial Statements (Ref: par. .A6)

.A27

The determination about whether the accountant has been engaged to prepare financial statements or merely assist in preparing financial statements (which is a bookkeeping service that is not subject to this section) is determined based on the services the client requests the accountant to perform and requires the accountant to apply professional judgment. The following table provides examples of services that the accountant may be engaged to perform and whether section 70 would apply. The table is not intended to be all inclusive, and professional judgment would still need to be applied.

Examples of Services for Which This Section Applies	Examples of Accountant Services for Which This Section Does Not Apply
Preparation of financial statements prior to audit or review by another accountant	Preparation of financial statements when the accountant is engaged to perform an audit, review, or compilation of such financial statements
Preparation of financial statements for an entity to be presented alongside the entity's tax return	Preparation of financial statements with a tax return solely for submission to taxing authorities
Preparation of personal financial statements for presentation alongside a financial plan	Personal financial statements that are prepared for inclusion in written personal financial plans prepared by the accountant
	Financial statements prepared in conjunction with litigation services that involve pending or potential legal or regulatory proceedings
	Financial statements prepared in conjunction with business valuation services
	Maintaining depreciation schedules
	Preparing or proposing certain adjustments, such as those applicable to deferred income taxes, depreciation, or leases
Preparation of single financial statements, such as a balance sheet or income statement or financial statements with substantially all disclosures omitted	Drafting financial statement notes
Using the information in a general ledger to prepare financial statements outside of an accounting software system	Entering general ledger transactions or processing payments (general bookkeeping) in an accounting software system

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

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Exhibit — Illustrative Engagement Letter (Ref: par. .A11)

.A28

The following is an example of an engagement letter for an engagement to prepare financial statements prepared in accordance with accounting principles generally accepted in the United States of America. This engagement letter is intended as guidance that may be used in conjunction with the considerations outlined in Statements on Standards for Accounting and Review Services. The engagement letter will vary according to individual requirements and circumstances and is drafted to refer to the preparation of financial statements for a single reporting period. The accountant may seek legal advice about whether a proposed engagement letter is suitable.

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To the appropriate representative of ABC Company:[1]

You[2] have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended and the related notes to the financial statements.[3,4] We are pleased to confirm our acceptance and our understanding of this engagement to prepare the financial statements of ABC Company by means of this letter.

Our Responsibilities

The objective of our engagement is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion or provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Management Responsibilities

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial statements in accordance with SSARSs:

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[1]The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the engagement to prepare financial statements, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A10.

[2]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3]If the accountant is to be engaged to prepare financial statements that omit the statement of cash flows and the related notes, the sentence may be revised to read, "You have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income and changes in stockholders' equity." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows and related notes to the financial statements."

[4]The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

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a. The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements

b. 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

c. The prevention and detection of fraud

d. To ensure that the entity complies with the laws and regulations applicable to its activities

e. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements

f. To provide us with:

   i. Documentation, and other related information that is relevant to the preparation and presentation of the financial statements,

   ii. Additional information that may be requested for the purpose of the preparation of the financial statements, and

   iii. Unrestricted access to persons within ABC Company of whom we determine necessary to communicate.

The financial statements will not be accompanied by a report. However, you agree that the financial statements will clearly indicate that no assurance is provided on them.

[*If the accountant expects to issue a disclaimer, instead of the preceding paragraph, the following may be added:*

As part of our engagement, we will issue a disclaimer that will state that the financial statements were not subjected to an audit, review, or compilation engagement by us and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.]

Other Relevant Information

Our fees for these services . . . .

[*The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the financial statements described herein except for our own intentional wrongdoing.]

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Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein, and our respective responsibilities.

Sincerely yours,

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

[*Signed*]
[*Name and Title*]
[*Date*]

[Revised, February 2015, to include additional required engagement letter elements. Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 27, April 2025.]

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AR-C Section 70A

Preparation of Financial Statements

Source: SSARS No. 21; SSARS No. 23; SSARS No. 25; SSARS No. 26.

Effective for the preparation of financial statements for periods ending on or after December 15, 2015, unless otherwise indicated.

Introduction

Scope of This Section

.01 This section applies when an accountant in public practice is engaged to prepare financial statements or prospective financial information. (Ref: par. .A1–.A2).

This section may also be applied, adapted as appropriate in the circumstances, to the preparation of other historical financial information. (Ref: par. .A3)

This section does not apply when an accountant prepares financial statements or prospective financial information

- and is engaged to perform an audit, review, or compilation of those financial statements,
- solely for submission to taxing authorities,
- for inclusion in written personal financial plans prepared by the accountant,
- in conjunction with litigation services that involve pending or potential legal or regulatory proceedings, or
- in conjunction with business valuation services.[1]

[As amended, effective for prospective financial information prepared on or after May 1, 2017, by SSARS No. 23.]

.02 The determination about whether the accountant has been engaged to prepare financial statements or merely assist in preparing financial statements (which is a bookkeeping service that is not subject to this section) is determined based on services the client requests the accountant to perform and requires the accountant to apply professional judgment. (Ref: par. .A4)

[1][Footnote deleted by the issuance of SSARS No. 23, October 2016.]

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The Preparation Engagement

.03 An engagement to prepare financial statements is a nonattest service and does not require a determination about whether the accountant is independent of the entity. (Ref: par. .A5)

.04 In addition, an engagement to prepare financial statements does not require the accountant to verify the accuracy or completeness of the information provided by management or otherwise gather evidence to express an opinion or a conclusion on the financial statements or otherwise report on the financial statements.

Effective Date

.05 This section is effective for the preparation of financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

Objective

.06 The objective of the accountant is to prepare financial statements pursuant to a specified financial reporting framework.

Definitions

.07 For purposes of Statements on Standards for Accounting and Review Services (SSARSs), the following terms have the meanings attributed as follows:

Management. The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance (for example, executive members of a governance board or an owner-manager).

Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of an entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).

[As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Requirements

General Principles for Performing Engagements to Prepare Financial Statements

.08 In addition to complying with this section, an accountant is required to comply with section 60, *General Principles For Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*.

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Acceptance and Continuance of Client Relationships and Engagements to Prepare Financial Statements

.09 If the accountant is not satisfied with any of the matters set out in paragraph .26 of section 60A as preconditions for accepting an engagement to prepare financial statements, the accountant should discuss the matter with management or those charged with governance. If changes cannot be made to satisfy the accountant about those matters, the accountant should not accept the proposed engagement.

Agreement on Engagement Terms

.10 The accountant should agree upon the terms of the engagement with management or those charged with governance, as appropriate. The agreed-upon terms of the engagement should be documented in an engagement letter or other suitable form of written agreement between the parties and should include the following: (Ref: par. .A7–.A11)

a. The objective of the engagement

b. The responsibilities of management set forth in paragraph .26*b* of section 60A

c. The agreement of management that each page of the financial statements will include a statement indicating that no assurance is provided on the financial statements or the accountant will be required to issue a disclaimer that makes clear that no assurance is provided on the financial statements. (Ref: par. .A13)

d. The responsibilities of the accountant

e. The limitations of the engagement to prepare financial statements

f. Identification of the applicable financial reporting framework for the preparation of financial statements

g. Whether the financial statements are to contain a known departure or departures from the applicable financial reporting framework (including inadequate disclosure) or omit substantially all disclosures required by the applicable financial reporting framework

[As amended, effective October 2016, by SSARS No. 23.]

.11 The engagement letter or other suitable form of written agreement should be signed by

a. the accountant or the accountant's firm and

b. management or those charged with governance, as appropriate. (Ref: par. .A10)

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The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework

.12 The accountant should obtain an understanding of the financial reporting framework and the significant accounting policies intended to be used in the preparation of the financial statements. (Ref: par. .A12)

Preparing the Financial Statements

.13 The accountant should prepare the financial statements using the records, documents, explanations, and other information provided by management.

.14 The accountant should ensure that a statement is included on each page of the financial statements indicating, at a minimum, that "no assurance is provided" on the financial statements. If the accountant is unable to include a statement on each page of the financial statements, the accountant should do one of the following: (Ref: par. .A13)

a. Issue a disclaimer that makes clear that no assurance is provided on the financial statements. (Ref: par. .A14)

b. Perform a compilation engagement in accordance with section 80, *Compilation Engagements*.

c. Withdraw from the engagement and inform management of the reasons for withdrawing. (Ref: par. .A15–.A16)

[As amended, effective October 2016, by SSARS No. 23. As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.15 When preparing financial statements in accordance with a special purpose framework, the accountant should include a description of the financial reporting framework on the face of the financial statements or in a note to the financial statements. (Ref: par. .A17)

.16 If, during the preparation of financial statements, the accountant assists management with significant judgments regarding amounts or disclosures to be reflected in the financial statements, the accountant should discuss those judgments with management so management understands the significant judgments reflected in financial statements and accepts responsibility for those judgments. (Ref: par. .A18 and .A24)

.17 If the accountant becomes aware that the records, documents, explanations, or other information, including significant judgments, used in the preparation of the financial statements are incomplete, inaccurate, or otherwise unsatisfactory, the accountant should bring that to the attention of management and request additional or corrected information. If management fails to provide such additional or corrected information, the accountant should disclose a material misstatement or misstatements in the financial statements in accordance with paragraph .18 or withdraw from the engagement and inform management of the reasons for withdrawing. (Ref: par. .A15–.A16) [As amended, effective for the

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preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.18 When, after discussions with management, the accountant prepares financial statements that contain a known departure or departures from the applicable financial reporting framework (including inadequate disclosure), the accountant should disclose the material misstatement or misstatements in the financial statements. (Ref: par. .A19)

Preparing Prospective Financial Information

.19 The summary of significant assumptions is essential to the user's understanding of prospective financial information. Accordingly, the accountant should not prepare prospective financial information that excludes disclosure of the summary of significant assumptions. Also, the accountant should not prepare a financial projection that excludes either (*a*) an identification of the hypothetical assumptions or (*b*) a description of the limitations on the usefulness of the presentation. [Paragraph added, effective for prospective financial information prepared on or after May 1, 2017, by SSARS No. 23.]

Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework

.20 When, after discussions with management, the accountant prepares financial statements that omit substantially all disclosures required by the applicable financial reporting framework, the accountant should disclose such omission either in the financial statements or in an accompanying disclaimer. (Ref: par. .A20) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.21 The accountant should not prepare financial statements that omit substantially all disclosures required by the financial reporting framework if, in the accountant's professional judgment, such financial statements would be misleading to users of the financial statements. (Ref: par. .A21–.A23) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. As amended, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Documentation in a Preparation Engagement

.22 The accountant should prepare documentation in connection with each preparation engagement in sufficient detail to provide a clear understanding of the work performed which, at a minimum, includes the following: (Ref: par. .A24)

a. The engagement letter or other suitable form of written documentation with management, as described in paragraphs .10–.11

b. A copy of the financial statements that the accountant prepared

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

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.23 If, in rare circumstances, the accountant judges it necessary to depart from a relevant presumptively mandatory requirement, the accountant must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Application and Other Explanatory Material

Scope of This Section (Ref: par. .01–.02)

.A1 If the accountant is engaged to prepare prospective financial information, references in this section to *financial statements* are to be taken as a reference to prospective financial information. [Paragraph added, effective for prospective financial information prepared on or after May 1, 2017, by SSARS No. 23.]

.A2 AICPA Guide *Prospective Financial Information* (the guide) provides comprehensive guidance regarding prospective financial information. Chapter 6, “Preparation Guidelines;” chapter 7, “Reasonably Objective Basis;” chapter 8, “Presentation Guidelines;” and chapter 9, “Illustrative Prospective Financial Statements,” of the guide establish the preparation and presentation guidelines for financial forecasts and financial projections. The guide also includes information about the types and uses of prospective financial information. The guide provides suitable criteria for the preparation and presentation of prospective financial information. The accountant is not prohibited from preparing prospective financial information prepared and presented in accordance with other suitable criteria. [Paragraph added, effective for prospective financial information prepared on or after May 1, 2017, by SSARS No. 23.]

.A3 Other historical financial information to which this section may be applied includes the following:

- Specified elements, accounts, or items of a financial statement, such as schedules of rentals, royalties, profit participation, or provision for income taxes
- Supplementary information
- Required supplementary information
- Pro forma financial information

[Paragraph renumbered and amended, effective October 2016, by SSARS No. 23.]

.A4 The appendix, "Preparation of Financial Statements Versus Assistance in Preparing Financial Statements," provides examples of services that the accountant may be engaged to perform and whether this section would apply. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

The Preparation Engagement (Ref: par. .03)

.A5 The "Nonattest Services" subtopic of the "Independence Rule" (ET sec. 1.295) addresses the accountant’s considerations with respect to independence when performing nonattest

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services for attest clients. For example, the accountant may prepare monthly or other interim financial statements and be engaged to perform an audit, review, or compilation engagement with respect to the annual financial statements. The accountant needs to be aware that the performance of the preparation services may impair independence unless the safeguards described in this subtopic are met. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Definitions (Ref: par. .07)

[.A6] [Paragraph deleted by the issuance of SSARS No. 25, February 2020.]

Agreement on Engagement Terms (Ref: par. .10–.11)

.A7 Both management and the accountant have an interest in documenting the agreed-upon terms of the engagement to prepare financial statements before the commencement of the engagement to help avoid misunderstandings with respect to the engagement. For example, it reduces the risk that management may inappropriately rely on or may expect the accountant to protect management against certain risks or to perform certain functions, including those that are management's responsibility. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A8 When a third party has contracted for an engagement to prepare the entity's financial statements, agreeing the terms of the engagement with management of the entity is necessary in order to establish that the preconditions for an engagement to prepare financial statements are present. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A9 The understanding with management regarding the services to be performed for engagements to prepare financial statements is required by paragraph .10 to be in a documented form, and, accordingly, an oral understanding is insufficient. An engagement letter is the most common, and usually the most convenient, method for documenting the understanding with management regarding the services to be performed for engagements to prepare financial statements. [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23.]

.A10 The roles of management and those charged with governance in agreeing upon the terms of the engagement to prepare financial statements for the entity depend on the governance structure of the entity and relevant law or regulation. Depending on the entity's structure, the agreement may be with management, those charged with governance, or both. Nonetheless, when the agreement on the terms of engagement is only with those charged with governance in accordance with paragraph .26*b* of section 60A, the accountant is required to obtain management's agreement that it acknowledges and understands its responsibilities. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A11 An illustrative example of an engagement letter for an engagement to prepare financial statements is presented in the exhibit, "Illustrative Engagement Letter." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

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The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework (Ref: par. .12)

.A12 The requirement that the accountant obtain an understanding of the financial reporting framework adopted by management intended to be used in the preparation of the financial statements and the significant accounting policies adopted by management does not prevent the accountant from accepting an engagement to prepare financial statements for an entity in an industry in which the accountant has no previous experience. The accountant may obtain such understanding, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals who are knowledgeable about the industry. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Preparing the Financial Statements (Ref: par. .10, .14–.16, and .18)

.A13 The statement on each page of the financial statements, including related notes, is intended to avoid misunderstanding on the part of users with respect to the accountant's involvement with the financial statements. The statement is made at management's discretion, and the accountant or the accountant's firm name is not required to be included. The accountant is concerned that the indication is not misleading. Examples of a statement on each page of the financial statements include the following:

- No assurance is provided on these financial statements.
- These financial statements have not been subjected to an audit or review or compilation engagement, and no assurance is provided on them.

Other statements that convey that no assurance is provided on the financial statements would also be acceptable. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A14 An example of a disclaimer that the accountant may issue is as follows:

> The accompanying financial statements of XYZ Company as of and for the year ended December 31, 20XX, were not subjected to an audit, review, or compilation engagement by us and we do not express an opinion, a conclusion, nor provide any assurance on them.
>
> [*Signature of the accountant's firm*]
> [*Accountant's city and state*]
> [*Date*]

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. As amended, effective for the preparation of financial statements for periods beginning on or after December 15, 2025, by SSARS No. 26.]

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.A15 In circumstances addressed by the requirements of this section in which withdrawal from the engagement is necessary, the responsibility to inform management of the reasons for withdrawing provides an opportunity to explain the accountant's ethical obligations. [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A16 When making a determination about whether and how to withdraw from an engagement, the accountant may wish to consult with legal counsel. [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A17 A description of the special purpose framework is usually placed next to or under the title of the financial statements (for example "statement of assets and liabilities—modified cash basis"). However, the description may be placed elsewhere in the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A18 In the preparation of financial statements, the accountant may provide assistance to management with significant judgments (for example, the accountant may advise management on alternative accounting policies that are significant to the financial statements or help management with significant judgments regarding material accounting estimates). [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A19 The disclosure of the material misstatement or misstatements may be made on the face of the financial statements or in a note to the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework (Ref: par. .20–.21)

.A20 The disclosure of the omission of substantially all disclosures required by the applicable financial reporting framework may be made on the face of the financial statements or in a selected note to the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A21 The accountant may prepare financial statements that include disclosures about only a few matters in the notes to the financial statements. Such disclosures may be labeled "Selected Information—Substantially All Disclosures Required by [*the applicable financial reporting framework*] Are Not Included." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A22 Financial statements may be misleading, for example, if the applicable financial reporting framework includes the premise that the financial statements are prepared on the going concern basis and undisclosed uncertainties exist regarding the entity's ability

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to continue as a going concern. If the accountant becomes aware that uncertainties exist regarding the entity's ability to continue as a going concern, the accountant may suggest additional disclosures concerning the entity's ability to continue as a going concern in order to avoid the financial statements being misleading. [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A23 Disclosure of items, such as an uncertainty, is not required in financial statements in which substantially all the disclosures required by the applicable financial reporting framework are omitted. [Paragraph added, effective for the preparation of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Documentation in a Preparation Engagement (Ref: par. .16 and .22)

.A24 Documentation may include documentation regarding significant consultations or significant professional judgments made throughout the engagement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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Appendix — Preparation of Financial Statements Versus Assistance in Preparing Financial Statements (Ref: par. .A4)

.A25

The determination about whether the accountant has been engaged to prepare financial statements or merely assist in preparing financial statements (which is a bookkeeping service that is not subject to this section) is determined based on the services the client requests the accountant to perform and requires the accountant to apply professional judgment. The following table provides examples of services that the accountant may be engaged to perform and whether section 70 would apply. The table is not intended to be all inclusive, and professional judgment would still need to be applied.

Examples of Services for Which This Section Applies	Examples of Accountant Services for Which This Section Does Not Apply
Preparation of financial statements prior to audit or review by another accountant	Preparation of financial statements when the accountant is engaged to perform an audit, review, or compilation of such financial statements
Preparation of financial statements for an entity to be presented alongside the entity's tax return	Preparation of financial statements with a tax return solely for submission to taxing authorities
Preparation of personal financial statements for presentation alongside a financial plan	Personal financial statements that are prepared for inclusion in written personal financial plans prepared by the accountant
	Financial statements prepared in conjunction with litigation services that involve pending or potential legal or regulatory proceedings
	Financial statements prepared in conjunction with business valuation services
	Maintaining depreciation schedules
	Preparing or proposing certain adjustments, such as those applicable to deferred income taxes, depreciation, or leases
Preparation of single financial statements, such as a balance sheet or income statement or financial statements with substantially all disclosures omitted	Drafting financial statement notes
Using the information in a general ledger to prepare financial statements outside of an accounting software system	Entering general ledger transactions or processing payments (general bookkeeping) in an accounting software system

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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Exhibit — Illustrative Engagement Letter (Ref: par. .A11)

.A26

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The following is an example of an engagement letter for an engagement to prepare financial statements prepared in accordance with accounting principles generally accepted in the United States of America. This engagement letter is intended as guidance that may be used in conjunction with the considerations outlined in Statements on Standards for Accounting and Review Services. The engagement letter will vary according to individual requirements and circumstances and is drafted to refer to the preparation of financial statements for a single reporting period. The accountant may seek legal advice about whether a proposed engagement letter is suitable.

To the appropriate representative of ABC Company:[1]

You[2] have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended and the related notes to the financial statements.[3,4] We are pleased to confirm our acceptance and our understanding of this engagement to prepare the financial statements of ABC Company by means of this letter.

Our Responsibilities

The objective of our engagement is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion or provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

[1]The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the engagement to prepare financial statements, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A10.

[2]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3]If the accountant is to be engaged to prepare financial statements that omit the statement of cash flows and the related notes, the sentence may be revised to read, "You have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income and changes in stockholders' equity." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows and related notes to the financial statements."

[4]The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

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Management Responsibilities

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial statements in accordance with SSARSs:

a. The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements

b. 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

c. The prevention and detection of fraud

d. To ensure that the entity complies with the laws and regulations applicable to its activities

e. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements

f. To provide us with:

    i. Documentation, and other related information that is relevant to the preparation and presentation of the financial statements,

    ii. Additional information that may be requested for the purpose of the preparation of the financial statements, and

    iii. Unrestricted access to persons within ABC Company of whom we determine necessary to communicate.

The financial statements will not be accompanied by a report. However, you agree that the financial statements will clearly indicate that no assurance is provided on them.

[*If the accountant expects to issue a disclaimer, instead of the preceding paragraph, the following may be added:*

As part of our engagement, we will issue a disclaimer that will state that the financial statements were not subjected to an audit, review, or compilation engagement by us and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.]

Other Relevant Information

Our fees for these services . . . .

[*The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as*

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indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the financial statements described herein except for our own intentional wrongdoing.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein, and our respective responsibilities.

Sincerely yours,

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

[*Signed*]

[*Name and Title*]

[*Date*]

[Revised, February 2015, to include additional required engagement letter elements. Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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AR-C Section 80

Compilation Engagements

Source: SSARS No. 21; SSARS No. 23; SSARS No. 25; SSARS No. 26.

Effective for compilations of financial statements for periods ending on or after December 15, 2015, unless otherwise indicated.

Introduction

Scope of This Section

.01 This section applies when the accountant is engaged to perform a compilation of financial statements, prospective financial information, pro forma financial information, or other historical financial information. (Ref: par. .A1–.A4).[1] [As amended, effective for compilation reports on prospective financial information dated on or after May 1, 2017, by SSARS No. 23.]

The Compilation Engagement

.02 Because a compilation engagement is not an assurance engagement, a compilation engagement does not require the accountant to verify the accuracy or completeness of the information provided by management or otherwise gather evidence to express an opinion or a conclusion on the financial statements.

Effective Date

.03 This section is effective for compilations of financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

Objective

.04 The objective of the accountant in a compilation engagement is to apply accounting and financial reporting expertise to assist management in the presentation of financial statements and report in accordance with this section without, undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.

[1][Footnote deleted by the issuance of SSARS No. 23, October 2016.]

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Definitions

.05 For purposes of Statements on Standards for Accounting and Review Services (SSARSs), the following terms have the meanings attributed as follows:

Basic financial statements. Financial statements excluding supplementary information and required supplementary information.

Generally accepted accounting principles (GAAP). Reference to *generally accepted accounting principles* in SSARSs means generally accepted accounting principles promulgated by bodies designated by the Council of the AICPA pursuant to the "Compliance With Standards Rule" (ET sec. 1.310.001) and the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct.

Management. The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance (for example, executive members of a governance board or an owner-manager).

Misstatement. A difference between the amount, classification, presentation, or disclosure of a reported financial item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Misstatements can arise from fraud or error.

Misstatements also include those adjustments of amounts, classifications, presentations, or disclosures that, in the accountant's professional judgment, are necessary for the financial statements to be presented fairly, in all material respects.

Required supplementary information. Information that a designated accounting standards-setter requires to accompany an entity's basic financial statements. Required supplementary information is not part of the basic financial statements; however, a designated accounting standards-setter considers the information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, authoritative guidelines for the methods of measurement and presentation of the information have been established.

Supplementary information. Information presented outside the basic financial statements, excluding required supplementary information, that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework. Such information may be presented in a document containing the financial statements subjected to the compilation engagement or separate from the financial statements subjected to the compilation engagement. (Ref: par. .A6–.A7)

Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).

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[Revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. As amended, effective for compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Requirements

General Principles for Performing and Reporting on Compilation Engagements

.06 In addition to complying with this section, an accountant is required to comply with section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services.*

Independence

.07 The accountant must determine whether the accountant is independent of the entity. (Ref: par. .A8)

Acceptance and Continuance of Client Relationships and Compilation Engagements

.08 As a condition for accepting an engagement to perform a compilation with respect to an entity's financial statements, in addition to the requirements in paragraph .31 of section 60, the accountant should obtain the agreement of management that it acknowledges and understands its responsibility

a. for the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework and the inclusion of all informative disclosures that are appropriate for the applicable financial reporting framework used to prepare the entity's financial statements. If the financial statements are prepared in accordance with a special purpose framework, this includes (Ref: par. .A9)

    i. a description of the special purpose framework, including a summary of significant accounting policies, and how the framework differs from GAAP, the effect of which need not be quantified, and informative disclosures similar to those required by GAAP, in the case of special purpose financial statements that contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP, (Ref: par. .A31)

    ii. a description of any significant interpretations of the contract on which the special purpose financial statements are prepared, in the case of financial statements prepared in accordance with a contractual basis of accounting, and

    iii. additional disclosures beyond those specifically required by the framework that may be necessary for the special purpose framework to achieve fair presentation.

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b. to include the accountant's compilation report in any document containing financial statements that indicates that the entity's accountant has performed a compilation engagement on such financial statements unless a different understanding is reached. (Ref: par. .A10)

.09 If the accountant is not satisfied about any of the matters set out in paragraph .31 of section 60 or paragraph .08 of this section as preconditions for accepting a compilation engagement, the accountant should discuss the matter with management or those charged with governance. If changes cannot be made to satisfy the accountant about those matters, the accountant should not accept the proposed engagement.

Agreement on Engagement Terms

.10 The accountant should agree upon the terms of the engagement with management or those charged with governance, as appropriate. The agreed-upon terms of the engagement should be documented in an engagement letter or other suitable form of written agreement between the parties and should include the following: (Ref: par. .A11–.A16)

a. The objectives of the engagement

b. The responsibilities of management set forth in paragraph .31*b* of section 60 and paragraph .08 of this section

c. The responsibilities of the accountant

d. The limitations of the compilation engagement

e. Identification of the applicable financial reporting framework for the preparation of the financial statements

f. The expected form and content of the accountant's compilation report and a statement that there may be circumstances in which the report may differ from its expected form and content

[As amended, effective October 2016, by SSARS No. 23.]

.11 The engagement letter or other suitable form of written agreement should be signed by

a. the accountant or the accountant's firm and

b. management or those charged with governance, as appropriate. (Ref: par. .A12)

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework

.12 The accountant should 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. (Ref: par. .A17)

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Compilation Procedures

.13 The accountant should read the financial statements in light of the accountant's understanding of the applicable financial reporting framework and the significant accounting policies adopted by management and consider whether such financial statements appear to be appropriate in form and free from obvious material misstatements.

.14 If, in the course of the engagement, the accountant becomes aware that the records, documents, explanations, or other information, including significant judgments, provided by management are incomplete, inaccurate, or otherwise unsatisfactory, the accountant should bring that to the attention of management and request additional or corrected information. (Ref: par. .A18)

.15 If the accountant becomes aware during the course of the engagement that

a. the financial statements do not adequately refer to or describe the applicable financial reporting framework (Ref: par. .A19);

b. revisions to the financial statements are required for the financial statements to be in accordance with the applicable financial reporting framework; or

c. the financial statements are otherwise misleading (Ref: par. .A20–.A21)

the accountant should propose the appropriate revisions to management.

.16 The accountant should withdraw from the engagement and inform management of the reasons for withdrawing if (Ref: par. .A22–.A23)

a. the accountant is unable to complete the engagement because management has failed to provide records, documents, explanations, or other information, including significant judgments, as requested, or

b. management does not make appropriate revisions that are proposed by the accountant or does not disclose such departures in the financial statements, and the accountant determines to not disclose such departures in the accountant's compilation report.

The Accountant's Compilation Report

.17 The accountant's compilation report should be in writing and (Ref: par. .A24 and .A29)

a. include a statement that management (owners) is (are) responsible for the financial statements.

b. identify the financial statements that have been subjected to the compilation engagement.

c. identify the entity whose financial statements have been subjected to the compilation engagement.

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d. specify the date or period covered by the financial statements.

e. include a statement that the accountant performed the compilation engagement in accordance with SSARSs promulgated by the Accounting and Review Services Committee of the AICPA.

f. include a statement that the accountant did not audit or review the financial statements nor was the accountant required to perform any procedures to verify the accuracy or completeness of the information provided by management and does not express an opinion, a conclusion, nor provide any assurance on the financial statements.

g. include the manual or printed signature of the accountant's firm.

h. include the city and state where the accountant practices. (Ref: par. .A27)

i. include the date of the report, which should be the date that the accountant has completed the procedures required by this section.

[Revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. As amended, effective for compilations of financial statements for periods beginning on or after December 15, 2025, by SSARS No. 26.]

The Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Special Purpose Framework

.18 Unless the entity elects to omit substantially all disclosures, the accountant should modify the compilation report when that accountant becomes aware that the financial statements do not include

a. a description of the special purpose framework. (Ref: par. .A29–.A31)

b. a summary of significant accounting policies. (Ref: par. .A32)

c. an adequate description about how the special purpose framework differs from GAAP. The effects of these differences need not be quantified. (Ref: par. .A31)

d. informative disclosures similar to those required by GAAP when the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP. (Ref: par. .A34)

.19 In the case of financial statements prepared in accordance with the provisions of a contract, the accountant should consider whether the financial statements adequately describe any significant interpretations of the contract on which the financial statements are based and modify the compilation report if the financial statements do not adequately describe any significant interpretations of the contract on which the financial statements are based. [As amended, effective for compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.20 In the case of an accountant's compilation report on special purpose financial statements, if management has a choice of financial reporting frameworks in the

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preparation of the special purpose financial statements, the explanation of management's responsibility for the financial statements should also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. [As amended, effective for compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.21 The accountant's compilation report on financial statements prepared in accordance with a special purpose framework should include a separate paragraph that (Ref: par. A36–.A37)

a. indicates that the financial statements are prepared in accordance with the applicable special purpose framework,

b. refers to the note to the financial statements that describes the framework, if applicable, and

c. states that the special purpose framework is a basis of accounting other than GAAP.

For special purpose financial statements prepared in accordance with a contractual basis of accounting, the separate paragraph should also state that, as a result, the financial statements may not be suitable for another purpose. [As amended, effective for compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Reporting When the Accountant Is Not Independent

.22 When the accountant is not independent with respect to the entity, the accountant should indicate the accountant's lack of independence in a final paragraph of the accountant's compilation report. (Ref: par. .A38–.A40)

.23 If the accountant elects to disclose a description about the reasons the accountant's independence is impaired, the accountant should include all such reasons in the description.

Reporting on Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework

.24 The summary of significant assumptions is essential to the user's understanding of prospective financial information. Accordingly, the accountant should not issue a compilation report on prospective financial information that excludes disclosure of the summary of significant assumptions. Also, the accountant should not issue a compilation report on a financial projection that excludes either (*a*) an identification of the hypothetical assumptions or (*b*) a description of the limitations on the usefulness of the presentation. [Paragraph added, effective for compilation reports on prospective financial information dated on or after May 1, 2017, by SSARS No. 23.]

.25 In addition to the reporting elements required by paragraph .17, an accountant's compilation report on prospective financial information should include statements that

a. the forecasted or projected results may not be achieved and

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b. the accountant assumes no responsibility to update the report for events and circumstances occurring after the date of the report.

[Paragraph added, effective for compilation reports on prospective financial information dated on or after May 1, 2017, by SSARS No. 23.]

.26 The accountant should not issue an accountant's compilation report on financial statements that omit substantially all disclosures required by the applicable financial reporting framework if, in the accountant's professional judgment, such financial statements would be misleading to users of the financial statements. (Ref: par. .A21) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. As amended, effective for compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.27 When reporting on financial statements that omit substantially all disclosures required by the applicable financial reporting framework, the accountant should include a separate paragraph in the accountant's compilation report that includes the following elements: (Ref: par. .A41–.A42)

a. A statement that management has elected to omit substantially all the disclosures (and the statement of cash flows, if applicable) required by the applicable financial reporting framework (or ordinarily included in the financial statements if the financial statements are prepared in accordance with a special purpose framework)

b. A statement that if the omitted disclosures (and the statement of cash flows, if applicable) were included in the financial statements, they might influence the user's conclusions about the entity's financial position, results of operations, and cash flows (or the equivalent for presentations other than GAAP)

c. A statement that, accordingly, the financial statements are not designed for those who are not informed about such matters

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.28 The omission of one or more notes, when substantially all other disclosures are presented, should be treated in a compilation report like any other departure from the applicable financial reporting framework, and the nature of the departure and its effects, if known, should be disclosed in accordance with paragraphs .29–.33. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Reporting Known Departures From the Applicable Financial Reporting Framework

.29 When the accountant becomes aware of a departure from the applicable financial reporting framework (including inadequate disclosure) that is material to the financial statements and the financial statements are not revised, the accountant should consider whether modification of the standard report is adequate to disclose the departure. (Ref: par. .A44) [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23.]

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.30 If the accountant concludes that modification of the standard report is adequate, the departure should be disclosed in a separate paragraph of the report. The effects of the departure on the financial statements should be disclosed if such effects have been determined by management or are readily known to the accountant as the result of the accountant's procedures. [Paragraph renumbered and amended, by SSARS No. 23, October 2016.]

.31 If the effects of the departure have not been determined by management or are not readily known to the accountant as a result of the accountant's procedures, the accountant is not required to determine the effects of a departure; however, in such circumstances, the accountant should state in the report that such determination has not been made by management. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.32 If the accountant believes that modification of the compilation report is not adequate to indicate the deficiencies in the financial statements as a whole, the accountant should withdraw from the engagement and provide no further services with respect to those financial statements. (Ref: par. .A23) [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.33 The accountant should not modify the compilation report to include a statement that the financial statements are not in conformity with the applicable financial reporting framework. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Supplementary Information That Accompanies Financial Statements and the Accountant's Compilation Report Thereon

.34 When supplementary information accompanies financial statements and the accountant's compilation report thereon, the accountant should clearly indicate the degree of responsibility, if any, the accountant is taking with respect to such information in either

a. a separate paragraph in the accountant's compilation report on the financial statements or

b. a separate report on the supplementary information.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.35 When the accountant has performed a compilation engagement with respect to both the financial statements and the supplementary information, the accountant should include a separate paragraph in the accountant's compilation report on the financial statements or issue a separate report on the supplementary information that states (Ref: par. .A46 and .A48)

a. the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements;

b. the supplementary information is the responsibility of management;

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c. the supplementary information was subject to the compilation engagement; and

d. the accountant has not audited or reviewed the supplementary information and does not express an opinion, a conclusion, nor provide any assurance on such information.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.36 When the accountant has performed a compilation engagement with respect to the financial statements but the supplementary information was not subject to the compilation engagement, the accountant should include a separate paragraph in the accountant's compilation report on the financial statements or issue a separate report on the supplementary information that states (Ref: par. .A47–.A48)

a. the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements;

b. the supplementary information is the responsibility of management; and

c. the supplementary information was not subject to the compilation engagement and the accountant does not express an opinion, a conclusion, nor provide any assurance on such information.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

Required Supplementary Information

.37 With regard to the requirement in paragraph .34, with respect to required supplementary information, the accountant should include a separate paragraph in the accountant's compilation report on the financial statements. The other-matter paragraph should include language to explain the following circumstances, as applicable: (Ref: par. .A49)

a. The required supplementary information is included, and the accountant performed a compilation engagement on the required supplementary information.

b. The required supplementary information is included, and the accountant did not perform a compilation, review, or audit on the required supplementary information.

c. The required supplementary information is omitted.

d. Some required supplementary information is missing, and some is presented in accordance with the prescribed guidelines. (Ref: par. .A50)

e. The accountant has identified departures from the prescribed guidelines.

f. The accountant has unresolved doubts about whether the required supplementary information is presented in accordance with prescribed guidelines.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

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.38 If the entity has presented all or some of the required supplementary information and the accountant did not perform a compilation engagement on the required supplementary information, the separate paragraph in the accountant's compilation report referred to in paragraph .34 should include the following elements: (Ref: par. .A51)

a. A statement that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] requires that the [*identify the required supplementary information*] be presented to supplement the basic financial statements

b. A statement that such information, although not a part of the basic financial statements, is required by [*identify designated accounting standards-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

c. A statement that the accountant did not perform a compilation, review, or audit on the required supplementary information and does not express an opinion, a conclusion, nor provide any assurance on the information

d. If some of the required supplementary information is omitted:

    i. A statement that management has omitted [*description of the missing required supplementary information*] that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] require to be presented to supplement the basic financial statements

    ii. A statement that such missing information, although not a part of the basic financial statements, is required by [*identify designated accounting standards-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

e. If the measurement or presentation of the required supplementary information departs materially from the prescribed guidelines, a statement that material departures from prescribed guidelines exist [*describe the material departures from the applicable financial reporting framework*]

f. If the accountant has unresolved doubts about whether the required supplementary information is measured or presented in accordance with prescribed guidelines, a statement that the accountant has doubts about whether material modifications should be made to the required supplementary information for it to be presented in accordance with guidelines established by [*identify designated accounting standards-setter*]

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.39 If all the required supplementary information is omitted, the separate paragraph in the accountant's compilation report should include the following elements:

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a. A statement that management has omitted [*description of the missing required supplementary information*] that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] require to be presented to supplement the basic financial statements

b. A statement that such missing information, although not a part of the basic financial statements, is required by [*identify designated accounting standards-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Documentation in a Compilation Engagement

.40 The accountant should prepare documentation in connection with each compilation engagement in sufficient detail to provide a clear understanding of the work performed which, at a minimum, includes the following:

a. The engagement letter or other suitable form of written documentation with management, as described in paragraphs .10–.11 (Ref: par. .A14 and .A16)

b. A copy of the financial statements

c. A copy of the accountant's report

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Application and Other Explanatory Material

Scope of This Section (Ref: par. .01)

.A1 If the accountant is engaged to perform a compilation on prospective financial information or pro forma financial information, references in this section to *financial statements* are to be taken as a reference to such other financial information. [Paragraph added, effective for compilation reports on prospective financial information dated on or after May 1, 2017, by SSARS No. 23.]

.A2 AICPA Guide *Prospective Financial Information* (the guide) provides comprehensive guidance regarding prospective financial information. Chapter 6, "Preparation Guidelines;" chapter 7, "Reasonably Objective Basis;" chapter 8, "Presentation Guidelines;" and chapter 9, "Illustrative Prospective Financial Statements," of the guide establish the preparation and presentation guidelines for financial forecasts and financial projections. The guide also includes information about the types and uses of prospective financial information. The guide provides suitable criteria for the preparation and presentation of prospective financial information. The accountant is not prohibited from preparing prospective financial information prepared and presented in accordance with other suitable criteria. [Paragraph added, effective for compilation reports on prospective financial information dated on or after May 1, 2017, by SSARS No. 23.]

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.A3 Other historical financial information to which this section applies includes the following:

- Specified elements, accounts, or items of a financial statement, such as schedules of rentals, royalties, profit participation, or provision for income taxes
- Supplementary information
- Required supplementary information

[Paragraph renumbered and amended, effective for compilation reports on prospective financial information dated on or after May 1, 2017, by SSARS No. 23.]

.A4 In addition to the requirements of this section, in a compilation of pro forma financial information, the accountant is also required to adhere to the requirements of section 120, *Compilation of Pro Forma Financial Information*. [Paragraph added, effective for compilation reports on prospective financial information dated on or after May 1, 2017, by SSARS No. 23.]

Definitions (Ref: par. .05)

[.A5] [Paragraph deleted by the issuance of SSARS No. 25, February 2020.]

.A6 Supplementary information includes additional details or explanations of items in or related to the basic financial statements, consolidating information, historical summaries of items extracted from the basic financial statements, statistical data, and other material, some of which may be from sources outside the accounting system or outside the entity. [Paragraph added to reflect conforming changes necessary due to the issuance of SSARS No. 23]

.A7 Supplementary information may be prepared in accordance with an applicable financial reporting framework, by regulatory or contractual requirements, in accordance with management's criteria, or in accordance with other requirements. [Paragraph added to reflect conforming changes necessary due to the issuance of SSARS No. 23]

Independence (Ref: par. .07)

.A8 The interpretations of the "Independence Rule" (ET sec. 1.200.001) of the AICPA Code of Professional Conduct provide authoritative guidance with respect to independence. It is in the public interest and, therefore, required by this section, that the accountant modify the accountant’s compilation report when the accountant is not independent of the entity whose financial statements are the subject of the compilation engagement. The AICPA Code of Professional Conduct also defines *independence* as consisting of two elements, independence of mind and independence in appearance. Independence enhances the accountant’s ability to act with integrity and be objective. Independence implies an impartiality that recognizes an obligation to be fair not only to management but also to users of the financial statements, who may rely upon the accountant’s compilation report. In the absence of an interpretation of the "Independence Rule" that addresses a particular relationship or circumstance, a member should apply the "Conceptual Framework for

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Independence" interpretation (ET sec. 1.210.010). [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

Acceptance and Continuance of Client Relationships and Compilation Engagements (Ref: par. .08)

.A9 A compilation in accordance with SSARSs is conducted on the premise that management has acknowledged and understands that it has the responsibility set out in paragraph .31*b* of section 60. The preparation of financial statements, in whole or in part, is a nonattest service subject to the provisions of the "Nonattest Services" subtopic of the "Independence Rule" (ET sec. 1.295). To avoid misunderstanding, agreement is reached with management that it acknowledges and understands that it has such responsibilities as part of agreeing and documenting the terms of the compilation engagement as required by paragraphs .10–.11. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A10 Documents containing financial statements that may include an indication that such financial statements have been subjected to a compilation engagement by the entity's accountant includes documents submitted to bonding companies. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

Agreement on Engagement Terms (Ref: par. .10–.11 and .40)

.A11 Both management and the accountant have an interest in documenting the terms of the compilation engagement before the commencement of the engagement to help avoid misunderstandings with respect to the engagement. For example, it reduces the risk that management may inappropriately rely on or expect the accountant to protect management against certain risks or perform certain functions, including those that are management's responsibility. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A12 The roles of management and those charged with governance in agreeing upon the terms of the compilation engagement for the entity depend on the governance structure of the entity and relevant law or regulation. Depending on the entity's structure, the agreement may be with management, those charged with governance, or both. Nonetheless, when the agreement on the terms of engagement is only with those charged with governance, in accordance with paragraph .31*b* of section 60, the accountant is required to obtain management's agreement that it acknowledges and understands its responsibilities. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

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.A13 When a third party has contracted for a compilation of the entity's financial statements, agreeing the terms of the compilation with management of the entity is necessary in order to establish that the preconditions for a compilation are present. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A14 The understanding with management regarding the services to be performed for compilation engagements is required by paragraph .10 to be in a documented form, and, accordingly, an oral understanding is insufficient. An engagement letter is the most common and usually the most convenient method for documenting the understanding with management regarding the services to be performed for compilation engagements. [Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph renumbered and amended, effective October 2016, by SSARS No. 23.]

.A15 Although the accountant may prepare the financial statements, in whole or in part, the financial statements are representations of management, and the fairness of their presentation in accordance with the applicable financial reporting framework is management's responsibility. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A16 Illustrative examples of engagement letters for a compilation engagement are presented in exhibit A, "Illustrative Engagement Letters." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework (Ref: par. .12)

.A17 The requirement that the accountant obtain an understanding of the applicable financial reporting framework intended to be used in the preparation of the financial statements, and the significant accounting policies adopted by management, does not prevent the accountant from accepting a compilation engagement for an entity in an industry in which the accountant has no previous experience. The accountant may obtain such understanding, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals who are knowledgeable about the framework or the industry. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

Compilation Procedures (Ref: par. .14–.16, .26, and .32)

.A18 The accountant is not required to make inquiries or perform other procedures to verify, corroborate, or review information supplied by the entity. However, the accountant may have performed such inquiries or procedures and the results of those inquiries or procedures,

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knowledge gained from prior engagements, or the financial statements themselves may cause the accountant to become aware that information provided by management is incorrect, incomplete, or otherwise unsatisfactory. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A19 The financial statements may adequately refer to or describe the applicable financial reporting framework via

- the financial statement titles or
- the notes to the financial statements.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A20 Financial statements may be misleading, for example, if the applicable financial reporting framework includes the premise that the financial statements are prepared on the going concern basis, and undisclosed uncertainties exist regarding the entity's ability to continue as a going concern. If the accountant becomes aware that uncertainties exist regarding the entity's ability to continue as a going concern, the accountant may suggest additional disclosures concerning the entity's ability to continue as a going concern in order to avoid the financial statements being misleading. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A21 Disclosure of items, such as an uncertainty, is not required in financial statements in which substantially all the disclosures required by the applicable financial reporting framework are omitted. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A22 In circumstances addressed by the requirements of this section in which withdrawal from the engagement is necessary, the responsibility to inform management of the reasons for withdrawing provides an opportunity to explain the accountant's ethical obligations. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A23 When making a determination about whether and how to withdraw from an engagement, the accountant may wish to consult with legal counsel. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

The Accountant's Compilation Report (Ref: par. .17)

.A24 The accountant's written report may become unattached from the financial statements. To minimize the possibility that a user of the financial statements may infer an unintended level of reliance on the financial statements, the accountant may request

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that management include a reference on each page of the financial statements to the accountant's written report. An example of a reference to the accountant's written report included on each page of the financial statements is "See Accountant's Report" or "See Accountant's Compilation Report." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23.]

.A25 In some cases, law or regulation may allow for the use of electronic signatures in the accountant's compilation report. [Paragraph deleted by the issuance of SSARS No. 23, October 2016. Paragraph reinstated, effective for compilations of financial statements for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A26 In certain situations, the accountant's compilation report may be required by law or regulation to include the personal name and signature of the accountant, in addition to the accountant's firm. [Paragraph added, effective for compilations of financial statements for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A27 The city and state where the accountant practices may be indicated on letterhead that contains the issuing office's city and state. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A28 Illustrative examples of accountant's compilation reports are presented in exhibit B, "Illustrative Examples of the Accountant's Compilation Reports on Financial Statements." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

The Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Special Purpose Framework (Ref: par. .08, .18, and .20)

.A29 Circumstances may exist in which a regulatory or contractual basis of accounting is based on a general purpose framework established by a designated accounting standard setter, such as GAAP, or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires financial statements to be prepared in accordance with most, but not all, of GAAP. If the financial statements purport to be prepared in accordance with a general purpose framework and such financial statements are materially misstated due to a departure from that framework, paragraphs .29–.33 apply. [Paragraph added, effective for compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A30 When it is acceptable in the circumstances of the engagement to report, in accordance with this section, on special purpose financial statements that purport to be prepared in accordance with a regulatory or contractual basis of accounting that is based on a general purpose framework, it is inappropriate for the description of the applicable financial

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reporting framework in the special purpose financial statements to imply that the special purpose framework includes all the requirements of, or is the same as, the financial reporting framework on which the special purpose framework is based. In the example of the contract in paragraph .A29, the description of the applicable financial reporting framework would refer to the financial reporting provisions of the contract. The requirement in paragraph .21 is designed to avoid misunderstandings about compliance with the general purpose framework. [Paragraph added, effective for compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A31 The description of the special purpose framework may be included in the financial statement titles, in the notes to the financial statements, or otherwise on the face of the financial statements. Although terms such as *balance sheet*, *statement of financial position*, *statement of income*, *statement of operations*, and *statement of cash flows*, or similar unmodified titles, are generally understood to be applicable only to financial statements that are intended to present financial position, results of operations, or cash flows in accordance with GAAP, such titles, with appropriate modification, may be used in connection with financial statements prepared in accordance with a special purpose framework. Suitable financial statement titles for financial statements prepared in accordance with a special purpose framework include, but are not limited to

- a modified cash basis financial statement that might be titled
  - — "Income Statement — Modified Cash Basis," or
  - — "Statement of Cash Receipts and Disbursements."
- financial statements prepared in accordance with the tax basis of accounting that might be titled
  - — "Balance Sheet — Tax Basis,"
  - — "Statement of Assets, Liabilities, and Equity — Tax Basis,"
  - — "Statement of Operations — Tax Basis," or
  - — "Statement of Revenue and Expenses — Tax Basis."
- a financial statement prepared in accordance with a regulatory basis of accounting that might be titled "Statement of Income — Regulatory Basis."

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A32 Financial statements prepared in accordance with a special purpose framework need not include a summary of significant accounting policies or a description about how the special purpose framework differs from GAAP if such financial statements omit substantially all disclosures, and the omission of substantially all disclosures is not, to

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the accountant's knowledge, undertaken with the intention of misleading those who might reasonably be expected to use such financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A33 The description of how the special purpose framework differs from GAAP ordinarily only includes the material differences between GAAP and the special purpose framework. For example, if several items are accounted for differently in accordance with the special purpose framework than they would be in accordance with GAAP, but only the differences in how depreciation is calculated are material, a brief description of the depreciation differences is all that would be necessary, and the remaining differences need not be described or quantified. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A34 Financial statements prepared when applying a special purpose framework are not considered appropriate in form unless the financial statements include informative disclosures similar to those required by GAAP if the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

[.A35] [Paragraph subsequently renumbered and deleted by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A36 Special purpose financial statements may be used for purposes other than those for which they were intended. To avoid misunderstandings, paragraph .21 requires the accountant to include a separate paragraph in the accountant's compilation report that alerts users of the accountant's compilation report that the financial statements are prepared in accordance with a special purpose framework and that the basis of accounting is a basis of accounting other than GAAP. [Paragraph added, effective for compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A37 Financial statements prepared in accordance with a special purpose framework may be the only financial statements an entity prepares. Such special purpose financial statements may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements, the financial statements are still considered to be special purpose financial statements for purposes of SSARSs. The requirement in paragraph .21 is designed to avoid misunderstandings about the framework used to prepare the financial statements. [Paragraph added, effective for

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compilations of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

Reporting When the Accountant Is Not Independent (Ref: par. .22)

.A38 An example of a disclosure that an accountant may make to indicate the accountant's lack of independence would be

> We are not independent with respect to XYZ Company.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A39 The accountant is not precluded from disclosing a description about the reason(s) that the accountant's independence is impaired. The following are examples of descriptions the accountant may use:

- We are not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because a member of the engagement team had a direct financial interest in XYZ Company.
- We are not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because an immediate family member of one of the members of the engagement team was employed by XYZ Company.
- We are not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because we performed certain accounting services (the accountant may include a specific description of those services) that impaired our independence.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A40 Illustrative examples of accountant's compilation reports when the accountant's independence has been impaired are presented in exhibit B.[2] [Paragraph renumbered

[2]Illustration 4, "An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When the Accountant's Independence Is Impaired, and the Accountant Determines to Not Disclose the Reasons for the Independence Impairment" and illustration 5, "An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities When the Accountant's Independence Has Been Impaired Due to the Accountant Having a Financial Interest in the Entity, and the Accountant Decides to Disclose the Reasons for the Independence

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by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Reporting on Financial Statements That Omit Substantially All the Disclosures Required by the Applicable Financial Reporting Framework (Ref: par. .27)

.A41 When management elects to include disclosures about only a few matters in the notes to the financial statements, such disclosures may be labeled "Selected Information — Substantially All Disclosures Required by [*the applicable financial reporting framework*] Are Not Included." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A42 An illustrative example of an accountant's compilation report on financial statements that omit substantially all disclosures required by the applicable financial reporting framework is presented in exhibit B.[3] [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Reporting Known Departures From the Applicable Financial Reporting Framework (Ref: par. .30 and .33)

.A43 The accountant is precluded from including a statement that the financial statements are not in conformity with the applicable financial reporting framework because such a statement would be tantamount to expressing an adverse opinion on the financial statements as a whole. Such an opinion can be expressed only in the context of an audit engagement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A44 An illustrative example of an accountant's compilation report on financial statements that contain known departures from the applicable financial reporting framework that are

Impairment," of exhibit B, "Illustrative Examples of the Accountant's Compilation Report on Financial Statements."

[3]Illustration 3, "An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the Tax Basis of Accounting, and Management Has Elected to Omit Substantially All Disclosures Ordinarily Included in Financial Statements Prepared in Accordance With the Tax Basis of Accounting," of exhibit B.

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not disclosed in the notes to the financial statements is presented in exhibit B.[4] [Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Supplementary Information That Accompanies Financial Statements and the Accountant's Compilation Report Thereon (Ref: par. .34–.36)

[.A45] [Paragraph deleted to reflect conforming changes necessary due to the issuance of SSARS No. 23, October 2016. Paragraph renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A46 The following is an example of how an accountant may word a separate paragraph in the accountant's compilation report addressing supplementary information when the accountant has performed a compilation engagement on both the financial statements and the supplementary information:

> The accompanying [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A47 The following is an example of how an accountant may word a separate paragraph in the accountant's compilation report addressing supplementary information when the accountant has performed a compilation engagement on the financial statements but has not performed a compilation on the supplementary information:

[4]Illustration 6, "An Accountant's Compilation Report on Comparative Financial Statements, and the Accountant is Aware of Departures From Accounting Principles Generally Accepted in the United States of America," of exhibit B.

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The accompanying [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was not subject to our compilation engagement. We do not express an opinion, a conclusion, nor provide any assurance on such information.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A48 Supplementary information may become unattached from the accountant's compilation report. To minimize the possibility that a user of the supplementary information may infer, through the accountant's association with such information, an unintended level of reliance on it, the accountant may request that management include a reference to the accountant's compilation report on each page of the supplementary information. An example of a reference to the accountant's compilation report included on each page of the supplementary information is "See Accountant's Report" or "See Accountant's Compilation Report." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Required Supplementary Information (Ref: par. .37–.38)

.A49 Examples of required supplementary information that may accompany financial statements and the accountant's compilation report thereon include the following:

- With respect to common interest realty associations, estimates of current or future costs of major repairs and replacements of common property that will be required in the future as required by FASB *Accounting Standards Codification* 972-235-50-3
- Management's discussion and analysis and budgetary comparison statements as required by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A50 *Prescribed guidelines* are the authoritative guidelines established by the designated accounting standards-setter for the methods of measurement and presentation of the

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required supplementary information. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A51 Because the required supplementary information accompanies the basic financial statements, the accountant's compilation report on the financial statements includes a discussion of the responsibility taken by the accountant on that information. However, if the required supplementary information is omitted by the entity, the accountant does not have a responsibility to present that information. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered and revised, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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Exhibit A — Illustrative Engagement Letters (Ref: par. .A16)

.A52

Illustration 1 — An Engagement Letter for a Compilation Engagement With Respect to Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Illustration 2 — An Engagement Letter for a Compilation Engagement With Respect to Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America, Except the Financial Statements Omit the Statement of Cash Flows and Substantially All Disclosures Required by U.S. GAAP and in Which the Accountant's Independence Is Impaired

Illustration 3 — An Engagement Letter for a Compilation Engagement With Respect to Financial Statements Prepared in Accordance With the Tax Basis of Accounting

The illustrative engagement letters in this exhibit are intended as guidance that may be used in conjunction with the considerations outlined in Statements on Standards for Accounting and Review Services. The engagement letter will vary according to individual requirements and circumstances, and the illustrations are drafted to refer to a compilation engagement for a single reporting period. The accountant may seek legal advice about whether a proposed engagement letter is suitable.

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Illustration 1 — An Engagement Letter for a Compilation Engagement With Respect to Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Circumstances include the following:

- The accountant will prepare, as a nonattest service, the financial statements, including related notes, subject to the compilation engagement.
- The financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America and will include all related notes required by accounting principles generally accepted in the United States of America
- The accountant expects that his or her independence will not be impaired

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements, and perform a compilation engagement with respect to those financial statements.[3,4] We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

Our Responsibilities

The objective of our engagement is to

a. prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you and

b. apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements

[1]The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A12.

[2]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3]If the accountant is to be engaged to prepare financial statements that omit the statement of cash flows and the related notes and perform a compilation engagement with respect to those financial statements, the sentence may be revised to read, "You have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income and changes in stockholders' equity, and perform a compilation engagement with respect to those financial statements." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows and related notes to the financial statements."

[4]The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

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in order for them to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

a. The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements

b. The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America

c. 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

d. The prevention and detection of fraud

e. To ensure that the entity complies with the laws and regulations applicable to its activities

f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement

g. To provide us with

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i. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters

ii. additional information that we may request from you for the purpose of the compilation engagement

iii. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement.

You agree to include our accountant's compilation report in any document containing financial statements that indicates that we have performed a compilation engagement on such financial statements and, prior to inclusion of the report, to ask our permission to do so.

Other Relevant Information

Our fees for these services . . . .

[*The accountant may include language, such as the following, regarding limitation of or other arrangements regarding the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the financial statements described herein except for our own intentional wrongdoing.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a compilation engagement with respect to those same financial statements, and our respective responsibilities.

Sincerely yours,

[*Signature of accountant or accountant's firm*]

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Acknowledged and agreed on behalf of ABC Company by:

[*Signed*]

[*Name and Title*]

[*Date*]

[Revised, February 2015, to include additional required engagement letter elements.]

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Illustration 2 — An Engagement Letter for a Compilation Engagement With Respect to Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America, Except the Financial Statements Omit the Statement of Cash Flows and Substantially All Disclosures Required by U.S. GAAP and in Which the Accountant's Independence Is Impaired

Circumstances include the following:

- The accountant will prepare, as a nonattest service, the financial statements subject to the compilation engagement.
- The financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America, except the statement of cash flows and substantially all disclosures required by accounting principles generally accepted in the United States of America will be omitted.
- The accountant's independence will be impaired as a result of the performance of the nonattest preparation service.

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income and changes in stockholders' equity for the year then ended, and perform a compilation engagement with respect to those financial statements.[3] These financial statements will not include a statement of cash flows and related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

Our Responsibilities

The objective of our engagement is to

a. prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you and

b. apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements

[1]The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A12.

[2]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3]The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping service.

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in order for them to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Your Responsibilities

The compilation engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

a. The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements

b. The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America

c. 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

d. The prevention and detection of fraud

e. To ensure that the entity complies with the laws and regulations applicable to its activities

f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement

g. To provide us with

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i. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters

ii. additional information that we may request from you for the purpose of the compilation engagement

iii. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries

Our Report

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them. We will disclose that we are not independent in our report. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement.

Our report will disclose that the Company's management has elected to omit the statement of cash flows and substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the statement of cash flows and omitted disclosures were to be included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements will not be designed for those who are not informed about such matters.

You agree to include our accountant's compilation report in any document containing financial statements that indicates that we have performed a compilation engagement on such financial statements and, prior to inclusion of the report, to ask our permission to do so.

Other Relevant Information

Our fees for these services . . . .

[*The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorneys' fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the financial statements described herein except for our own intentional wrongdoing.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a compilation engagement with respect to those same financial statements, and our respective responsibilities.

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Sincerely yours,

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

[*Signed*]

[*Name and Title*]

[*Date*]

[Revised, February 2015, to include additional required engagement letter elements.]

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Illustration 3 — An Engagement Letter for a Compilation Engagement With Respect to Financial Statements Prepared in Accordance With the Tax Basis of Accounting

Circumstances include the following:

- The accountant will prepare, as a nonattest service, the financial statements subject to the compilation engagement.
- The financial statements will be prepared in accordance with the tax basis of accounting.
- The accountant expects that his or her independence will not be impaired.

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we prepare the financial statements of ABC Company, which comprise the statement of assets, liabilities, and equity — tax basis as of December 31, 20XX, and the related statements of operations and related earnings — tax basis, and cash flows — tax basis for the year then ended, and the related notes to the financial statements and perform a compilation engagement with respect to those financial statements.[3,4] We are pleased to confirm our acceptance and our understanding of this compilation engagement by means of this letter.

Our Responsibilities

The objective of our engagement is to

a. prepare financial statements in accordance with the tax basis of accounting based on information provided by you and

b. apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that

[1]The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A12.

[2]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3]If the accountant is to be engaged to prepare financial statements that omit the statement of cash flows — tax basis and the related notes and perform a compilation engagement with respect to those financial statements, the sentence may be revised to read, "You have requested that we prepare the financial statements of ABC Company, which comprise the statement of assets, liabilities, and equity — tax basis as of December 31, 20XX, and the related statement of operations and retained earnings — tax basis, and perform a compilation engagement with respect to those financial statements." The following additional sentence may then be added: "These financial statements will not include a statement of cash flows — tax basis and related notes to the financial statements."

[4]The accountant may include nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

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there are no material modifications that should be made to the financial statements in order for them to be in accordance with the tax basis of accounting.

We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with the tax basis of accounting and assist you in the presentation of the financial statements in accordance with the tax basis of accounting. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

a. The selection of the tax basis of accounting as the financial reporting framework to be applied in the preparation of the financial statements

b. The preparation and fair presentation of financial statements in accordance with the tax basis of accounting

c. The inclusion of all informative disclosures that is appropriate for the tax basis of accounting. This includes

    i. a description of the tax basis of accounting, including a summary of significant accounting policies, and how the tax basis of accounting differs from accounting principles generally accepted in the United States of America, the effects of which need not be quantified and

    ii. informative disclosures similar to those required by accounting principles generally accepted in the United States of America.[5]

d. 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

[5]The responsibility described in *c* need not be included if the financial statements omit substantially all disclosures required by the financial reporting framework.

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e. The prevention and detection of fraud

f. To ensure that the entity complies with the laws and regulations applicable to its activities

g. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the compilation engagement

h. To provide us with

   i. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters

   ii. additional information that we may request from you for the purpose of the compilation engagement

   iii. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement.

Our report will disclose that the financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

You agree to include our accountant's compilation report in any document containing financial statements that indicates that we have performed a compilation engagement on such financial statements and, prior to inclusion of the report, to ask our permission to do so.

Other Relevant Information

Our fees for these services . . . .

[*The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

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You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorneys' fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the financial statements described herein except for our own intentional wrongdoing.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and perform a compilation engagement with respect to those same financial statements and our respective responsibilities.

Sincerely yours,

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

[*Signed*]

[*Name and Title*]

[*Date*]

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Revised, February 2015, to include additional required engagement letter elements. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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Exhibit B — Illustrative Examples of the Accountant's Compilation Report on Financial Statements (Ref: par. .A28, .A40, .A42, and .A44)

.A53 The illustrative compilation reports in this exhibit are intended as illustrations that may be used to comply with the requirements of section 80. The accountant's compilation report will vary according to individual requirements and circumstances. For example, while the accountant's compilation report is issued by the firm as opposed to the engagement partner, if the accountant is a sole practitioner with no staff, the accountant may determine that it is appropriate to use terms such as *I* or *my* instead of *we* or *our*, respectively.

Illustration 1 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Illustration 2 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities

Illustration 3 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the Tax Basis of Accounting, and Management Has Elected to Omit Substantially All Disclosures Ordinarily Included in Financial Statements Prepared in Accordance With the Tax Basis of Accounting

Illustration 4 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When the Accountant's Independence Is Impaired, and the Accountant Determines to Not Disclose the Reasons for the Independence Impairment

Illustration 5 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities When the Accountant's Independence Has Been Impaired Due to a Member of the Engagement Team Having a Financial Interest in the Entity, and the Accountant Decides to Disclose the Reason for the Independence Impairment

Illustration 6 — An Accountant's Compilation Report on Comparative Financial Statements, and the Accountant Is Aware of Departures From Accounting Principles Generally Accepted in the United States of America

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Illustration 1 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

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 accounting principles generally accepted in the United States of America. 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

[*Date of the accountant's report*]

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Illustration 2 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities

Management is responsible for the accompanying financial statements of XYZ Company, which comprise the statements of financial position as of December 31, 20X2 and 20X1 and the related statements of operations and cash flows for the years then ended, and the related notes to the financial statements in accordance with the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities, and for determining that the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities is an acceptable financial reporting framework. 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

We draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

[*Date of the accountant's report*]

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Illustration 3 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the Tax Basis of Accounting, and Management Has Elected to Omit Substantially All Disclosures Ordinarily Included in Financial Statements Prepared in Accordance With the Tax Basis of Accounting

Management is responsible for the accompanying financial statements of XYZ Partnership, which comprise the statements of assets, liabilities, and partners' capital — tax basis as of December 31, 20X2 and 20X1 and the related statements of revenue and expenses — tax basis, and changes in partners' capital — tax basis for the years then ended in accordance with the tax basis of accounting, and for determining that the tax basis of accounting is an acceptable financial reporting framework. 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenue, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

[*Date of the accountant's report*]

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Illustration 4 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When the Accountant's Independence Is Impaired, and the Accountant Determines to Not Disclose the Reasons for the Independence Impairment

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 accounting principles generally accepted in the United States of America. 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

We are not independent with respect to XYZ Company.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

[*Date of the accountant's report*]

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Illustration 5 — An Accountant's Compilation Report on Comparative Financial Statements Prepared in Accordance With the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities When the Accountant's Independence Has Been Impaired Due to a Member of the Engagement Team Having a Financial Interest in the Entity, and the Accountant Decides to Disclose the Reason for the Independence Impairment

Management is responsible for the accompanying financial statements of XYZ Company, which comprise the statements of financial position as of December 31, 20X2 and 20X1, and the related statements of operations and cash flows for the years then ended, and the related notes to the financial statements in accordance with the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities, and for determining that the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities is an acceptable financial reporting framework. 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

We draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

We are not independent with respect to XYZ Company as during the year ended December 31, 20X2, a member of the engagement team had a direct financial interest in XYZ Company.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

[*Date of the accountant's report*]

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Illustration 6 — An Accountant's Compilation Report on Comparative Financial Statements, and the Accountant Is Aware of Departures From Accounting Principles Generally Accepted in the United States of America

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 accounting principles generally accepted in the United States of America. 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that land be stated at cost. Management has informed us that XYZ Company has stated its land at appraised value and that if accounting principles generally accepted in the United States of America had been followed, the land account and stockholders' equity would have been decreased by $500,000.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

[*Date of the accountant's report*]

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered, October 2016, to reflect conforming changes necessary due to the issuance of SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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AR-C Section 90

Review of Financial Statements

Source: SSARS No. 21; SSARS No. 23; SSARS No. 24; SSARS No. 25; SSARS No. 26.

Effective for reviews of financial statements for periods ending on or after December 15, 2015, unless otherwise indicated.

Introduction

Scope and Applicability of This Section

.01 This section applies when the accountant is engaged to perform a review of financial statements. This section also applies when the accountant is engaged to review other historical financial information, excluding pro forma financial information. Reviews of pro forma financial information are to be performed in accordance with Statements on Standards for Attestation Engagements. (Ref: par. .A1–.A3) [As amended, effective October 2016, by SSARS No. 23.]

.02 This section does not apply when the accountant is engaged to review interim financial information when

a. the entity's latest annual financial statements have been audited by the accountant or a predecessor;

b. the accountant either

   i. has been engaged to audit the entity's current year financial statements or

   ii. audited the entity's latest annual financial statements and, in situations in which it is expected that the current year financial statements will be audited, the engagement of another accountant to audit the current year financial statements is not effective prior to the beginning of the period covered by the review; and

c. the entity prepares its interim financial information in accordance with the same financial reporting framework as that used to prepare the annual financial statements.

AU-C section 930, *Interim Financial Information*, provides guidance for review engagements when the conditions in *a–c* are met.

The Engagement to Review Financial Statements

.03 In a review of financial statements, the accountant expresses a conclusion regarding the entity's financial statements in accordance with an applicable financial reporting

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framework. The accountant's conclusion is based on the accountant obtaining limited assurance. The accountant's report includes a description of the nature of a review engagement as context for the readers of the report to be able to understand the conclusion. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.04 The accountant performs primarily analytical procedures and inquiries to obtain sufficient appropriate review evidence as the basis for a conclusion on the financial statements as a whole, expressed in accordance with the requirements of this section. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.05 If the accountant becomes aware of a matter that causes the accountant to believe the financial statements may be materially misstated, the accountant designs and performs additional procedures, as the accountant considers necessary in the circumstances, to be able to conclude on the financial statements in accordance with this section. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Effective Date

.06 This section is effective for reviews of financial statements for periods ending on or after December 15, 2015. Early implementation is permitted. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Objectives

.07 In conducting a review of financial statements, the objectives of the accountant are to

a. obtain limited assurance, primarily by performing analytical procedures and inquiries, as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework and (Ref: par. .A4)

b. report on the financial statements as a whole and communicate, as required by this section.

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Definitions

.08 For purposes of Statements on Standards for Accounting and Review Services (SSARSs), the following terms have the meanings attributed as follows:

Analytical procedures. Evaluations of financial information through analysis of plausible relationships among both financial and nonfinancial data. Analytical procedures also encompass such investigation, as is necessary, of identified fluctuations or relationships

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that are inconsistent with other relevant information or that differ from expected values by a significant amount.

Comparative financial statements. A complete set of financial statements for one or more prior periods included for comparison with the financial statements of the current period.

Emphasis-of-matter paragraph. A paragraph included in the accountant's review report that is required by SSARSs, or is included at the accountant's discretion, and that refers to a matter appropriately presented or disclosed in the financial statements that, in the accountant's professional judgment, is of such importance that it is fundamental to the users' understanding of the financial statements.

Error. Mistakes in the financial statements, including arithmetical or clerical mistakes, and mistakes in the application of accounting principles, including inadequate disclosures.

Experienced accountant. An individual (whether internal or external to the firm) who has practical review experience and a reasonable understanding of

a. review processes;

b. SSARSs and applicable legal and regulatory requirements;

c. the business environment in which the entity operates; and

d. review and financial reporting issues relevant to the entity's industry.

Fraud. An intentional act that results in a misstatement in financial statements.

Generally accepted accounting principles (GAAP). References to GAAP in SSARSs means generally accepted accounting principles promulgated by bodies designated by the Council of the AICPA pursuant to the "Compliance With Standards Rule" (ET sec. 1.310.001) and the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct.

Historical financial information. Information expressed in financial terms regarding a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.

Inquiry. Inquiry consists of seeking information of knowledgeable persons within or outside the entity.

Limited assurance. A level of assurance that is less than the reasonable assurance obtained in an audit engagement but is at an acceptable level as the basis for the conclusion expressed in the accountant's review report. (Ref: par. .A10)

Management. The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance, for example, executive members of a governance board or an owner-manager.

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Misstatement. A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Misstatements can arise from fraud or error.

Misstatements also include those adjustments of amounts, classifications, presentations, or disclosures that, in the accountant's professional judgment, are necessary for the financial statements to be presented fairly, in all material respects.

Modified conclusion. A qualified conclusion or an adverse conclusion.

Noncompliance. Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into, by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. *Noncompliance* does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management, or employees of the entity.

Other-matter paragraph. A paragraph included in the accountant's review report that is required by SSARSs, or is included at the accountant's discretion, and that refers to a matter other than those presented or disclosed in the financial statements that, in the accountant's professional judgment, is relevant to users' understanding of the review, the accountant's responsibilities, or the accountant's review report.

Pervasive. A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements. Pervasive effects on the financial statements are those that, in the accountant's judgment

- are not confined to specific elements, accounts, or items of the financial statements;
- if so confined, represent or could represent a substantial portion of the financial statements; or
- with regard to disclosures, are fundamental to users' understanding of the financial statements.

Professional skepticism. An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of review evidence.

Reasonable period of time. The period of time required by the applicable financial reporting framework or, if no such requirement exists, within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). (Ref: par. .A11)

Report release date. The date the accountant grants the entity permission to use the accountant's report in connection with the financial statements.

Required supplementary information. Information that a designated accounting standards-setter requires to accompany an entity's basic financial statements. Required

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supplementary information is not part of the basic financial statements; however, a designated accounting standards-setter considers the information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, authoritative guidelines for the methods of measurement and presentation of the information have been established.

Review documentation. The record of review procedures performed, relevant review evidence obtained, and conclusions the accountant reached (terms such as *working papers* or *workpapers* are also sometimes used).

Review evidence. Information used by the accountant to provide a reasonable basis for obtaining limited assurance. Review evidence includes both information contained in the accounting records underlying the financial statements and other information, which primarily consists of the results of analytical procedures and inquiries. Sufficiency of review evidence is the measure of the quantity of review evidence. Appropriateness of review evidence is the measure of the quality of review evidence, that is, its relevance and reliability in providing support for the conclusions on which the accountant's review report is based.

Specified parties. The intended users of the accountant's review report.

Subsequent events. Events occurring between the date of the financial statements and the date of the accountant's review report.

Subsequently discovered facts. Facts that become known to the accountant after the date of the accountant's review report that, had they been known to the accountant at that date, may have caused the accountant to revise the accountant's review report.

Supplementary information. Information presented outside the basic financial statements, excluding required supplementary information, that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework. Such information may be presented in a document containing the reviewed financial statements or separate from the reviewed financial statements. (Ref: par. .A13–.A14)

Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).

Updated report. A report issued by a continuing accountant that takes into consideration information that the accountant becomes aware of during the accountant's current engagement and that re-expresses the accountant's previous conclusions or, depending on the circumstances, expresses different conclusions on the financial statements of a prior period reviewed by the accountant as of the date of the accountant's current report.

Written representation. A written statement by management provided to the accountant to confirm certain matters or to support other review evidence. Written representations in

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this context do not include financial statements, the assertions therein, or supporting books and records.

[As amended, effective October 2016, by SSARS No. 23. As amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Requirements

General Principles for Performing and Reporting on Review Engagements

.09 In addition to complying with this section, an accountant is required to comply with section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Independence

.10 The accountant must be independent of the entity when performing a review of financial statements in accordance with SSARSs. If, during the performance of the review engagement, the accountant determines that the accountant's independence is impaired, the accountant should withdraw from the review engagement. (Ref: par. .A15–.A16) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Professional Skepticism

.11 The accountant should plan and perform the review with professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. (Ref: par. .A17–.A21) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Acceptance and Continuance of Client Relationships and Review Engagements

.12 The accountant should not accept a review engagement if, in addition to the requirements in paragraph .31 of section 60, management or those charged with governance impose a limitation on the scope of the accountant's work in terms of a proposed review engagement such that the accountant believes the limitation will result in the accountant being unable to perform review procedures to provide an adequate basis for issuing a review report. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.13 As a condition for accepting an engagement to review an entity's financial statements, in addition to the requirements in paragraph .31 of section 60, the accountant should obtain the agreement of management that it acknowledges and understands its responsibility

a. for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework and the inclusion of all informative

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disclosures that are appropriate for the applicable financial reporting framework used to prepare the entity's financial statements. If the financial statements are prepared in accordance with a special purpose framework, this includes (Ref: par. .A22)

i. a description of the special purpose framework, including a summary of significant accounting policies, and how the framework differs from GAAP, the effect of which need not be quantified, and informative disclosures similar to those required by GAAP in the case of special purpose financial statements that contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP; (Ref: par. .A128)

ii. a description of any significant interpretations of the contract on which the special purpose financial statements are based in the case of financial statements prepared in accordance with a contractual basis of accounting; and

iii. additional disclosures beyond those specifically required by the framework that may be necessary for the special purpose framework to achieve fair presentation.

b. to provide the accountant, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.

c. to include the accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by the entity's accountant unless a different understanding is reached. (Ref: par. .A23)

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.14 If the accountant is not satisfied about any of the matters set out in paragraph .31 of section 60 or paragraph .13 of this section as preconditions for accepting a review engagement, the accountant should discuss the matter with management or those charged with governance. If changes cannot be made to satisfy the accountant about those matters, the accountant should not accept the proposed engagement. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.15 If it is discovered after the engagement has been accepted that the accountant is not satisfied regarding any of the preconditions in paragraph .31 of section 60 or paragraph .13 of this section, the accountant should discuss the matter with management or those charged with governance and should determine the following:

a. Whether the matter can be resolved

b. Whether it is appropriate to continue with the engagement

c. Whether and how to communicate the matter in the accountant's report

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

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Agreement on Engagement Terms

.16 The accountant should agree upon the terms of the engagement with management or those charged with governance, as appropriate. The agreed-upon terms of the engagement should be documented in an engagement letter or other suitable form of written agreement between the parties and should include the following: (Ref: par. .A24–.A29)

a. The objectives of the engagement

b. The responsibilities of management set forth in paragraph .31*b* of section 60 and paragraph .13 of this section

c. The responsibilities of the accountant

d. The limitations of a review engagement, including a statement that a review is substantially less in scope than an audit and that the accountant will not express an opinion on the financial statements

e. Identification of the applicable financial reporting framework for the preparation of the financial statements

f. The expected form and content of the accountant's review report and a statement that there may be circumstances in which the report may differ from its expected form and content

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. As amended, effective upon issuance for reviews of financial statements, by SSARS No. 26, June 2022.]

.17 The engagement letter or other suitable form of written agreement should be signed by

a. the accountant or the accountant's firm and

b. management or those charged with governance, as appropriate. (Ref: par. .A25)

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Communication With Management and Those Charged With Governance

.18 The accountant should communicate with management or those charged with governance, as appropriate, on a timely basis during the course of the review engagement, all matters concerning the review engagement that, in the accountant's professional judgment, are of significant importance to merit the attention of management or those charged with governance, as appropriate. (Ref: par. .A30–.A36) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

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Performing the Engagement

Materiality in a Review of Financial Statements

.19 The accountant should determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and evaluating the results obtained from those procedures. (Ref: par. .A37–.A40) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.20 The accountant should revise materiality for the financial statements as a whole if the accountant becomes aware of information during the review that would have caused the accountant to have determined a different amount initially. (Ref: par. .A41) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Understanding of the Industry

.21 To perform the review engagement, the accountant should possess or obtain an understanding of the industry in which the entity operates, including the accounting principles and practices generally used in the industry, sufficient to enable the accountant to review financial statements that are appropriate for an entity operating in that industry. (Ref: par. .A42) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Knowledge of the Entity

.22 The accountant should obtain knowledge about the entity, including an understanding of

a. the entity's business and

b. the accounting principles and practices used by the entity

sufficient to identify areas in the financial statements in which there is a greater likelihood that material misstatements may arise and to be able to design procedures to address those areas. (Ref: par. .A43–.A44) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.23 In obtaining the understanding of the entity's accounting policies and practices, the accountant should be alert to accounting policies and procedures that, based on the accountant’s knowledge of the industry, are unusual. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Designing and Performing Review Procedures

.24 The accountant should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to obtain sufficient appropriate review evidence as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the applicable financial reporting framework based on the accountant’s (Ref: par. .A45)

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a. understanding of the industry,

b. knowledge of the entity, and

c. awareness of the risk that the accountant may unknowingly issue an inappropriate accountant's review report. (Ref: par. .A46)

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.25 In obtaining sufficient appropriate review evidence as the basis for a conclusion on the financial statements as a whole, the accountant should design and perform the analytical procedures and inquiries to address the following: (Ref: par. .A47)

a. All material items in the financial statements, including disclosures

b. Areas in the financial statements where the accountant believes there are increased risks of material misstatements

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Analytical Procedures

.26 The accountant should apply analytical procedures to the financial statements to identify and provide a basis for inquiry about the relationships and individual items that appear to be unusual and that may indicate a material misstatement. Such analytical procedures should include the following: (Ref: par. .A48–.A50)

a. Comparing the financial statements with comparable information for the prior period, giving consideration to knowledge about changes in the entity's business and specific transactions

b. Considering plausible relationships among both financial and, when relevant, nonfinancial information (Ref: par. .A51)

c. Comparing recorded amounts or ratios developed from recorded amounts to expectations developed by the accountant through identifying and using relationships that are reasonably expected to exist, based on the accountant's understanding of the entity and the industry in which the entity operates (Ref: par. .A52)

d. Comparing disaggregated revenue data, as applicable (Ref: par. .A53)

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.27 When designing and performing analytical procedures, the accountant should (Ref: par. .A54)

a. determine the suitability of particular analytical procedures;

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b. consider the reliability of data from which the accountant's expectation of recorded amounts or ratios is developed, taking into account the source, comparability, and nature and relevance of information available;

c. develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to provide the accountant with limited assurance that a misstatement will be identified that, either individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated; and

d. determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation as required by paragraph .28 and compare the recorded amounts, or ratios developed from recorded amounts, with the expectations.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Investigating Results of Analytical Procedures

.28 If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the accountant should investigate such differences by

a. inquiring of management and

b. performing other review procedures if considered necessary in the circumstances. (Ref: par. .A55)

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters

.29 The accountant should inquire of members of management who have responsibility for financial and accounting matters concerning the financial statements, and others within the entity, as appropriate, about (Ref: par. .A56)

a. whether the financial statements have been prepared and fairly presented in accordance with the applicable financial reporting framework consistently applied, including how management determined that significant accounting estimates are reasonable in the circumstances.

b. the identification of related parties and related party transactions, including the purpose of those transactions

c. whether there are significant, unusual, or complex transactions, events, or matters that have affected or may affect the entity's financial statements, including the following: (Ref: par. .A57)

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i. Significant changes in the entity's business activities or operations

ii. Significant changes to the terms of contracts that materially affect the entity's financial statements, including terms of finance and debt contracts or covenants

iii. Significant journal entries or other adjustments to the financial statements

iv. Significant transactions occurring or recognized during the period, particularly those in the last several days of the reporting period

v. The status of any uncorrected misstatements identified during the previous review (that is, whether adjustments were recorded subsequent to the periods covered by the prior review and, if adjustments were recorded, the amounts recorded and period in which such adjustments were recorded)

vi. Effects or possible implications for the entity of transactions or relationships with related parties

d. matters about which questions have arisen in the course of applying the review procedures.

e. the existence of any actual, suspected, or alleged

i. fraud or noncompliance with laws and regulations affecting the entity and (Ref: par. .A58)

ii. noncompliance with provisions of laws and regulations that are generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws and regulations.

f. whether management has identified and addressed events subsequent to the date of the financial statements that require adjustment of, or disclosure in, the financial statements.

g. the basis for management's assessment of the entity's ability to continue as a going concern.

h. whether there are events or conditions that appear to cast doubt on the entity's ability to continue as a going concern.

i. material commitments, contractual obligations, or contingencies that have affected or may affect the entity's financial statements, including disclosures.

j. material nonmonetary transactions or transactions for no consideration in the financial reporting period under consideration.

k. communications from regulatory agencies, if applicable.

l. any litigation, claims, and assessments that existed at the date of the balance sheet being reported on and during the period from the balance sheet date to the date of management's response to the accountant's inquiry.

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m. actions taken at meetings of stockholders, the board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements. (Ref: par. .A59)

n. any other matters that the accountant may consider necessary.

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.30 The accountant should consider the reasonableness and consistency of management's responses in light of the results of other review procedures and the accountant's knowledge of the entity's business. However, the accountant is not required to corroborate management's responses with other evidence. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Reading the Financial Statements

.31 The accountant should read the financial statements and consider whether any information has come to the accountant's attention to indicate that such financial statements do not conform to the applicable financial reporting framework. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Procedures to Address Specific Circumstances

Related Parties

.32 During the review, the accountant should remain alert for arrangements or information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the accountant. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.33 If the accountant identifies significant transactions outside the entity's normal course of business when performing the review procedure required by paragraph .32 or through other review procedures, the accountant should inquire of management about the following:

a. The nature of these transactions (Ref: par. .A60)

b. Whether related parties could be involved

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Fraud and Noncompliance With Laws or Regulations

.34 When there is an indication that fraud or noncompliance with laws or regulations has occurred, or is suspected to have occurred, the effects of which should be considered when preparing financial statements, the accountant should do the following:

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a. Communicate identified or suspected fraud as soon as practical to the appropriate level of senior management (at a level above those involved with the suspected fraud, if possible) or those charged with governance, as appropriate.

b. Communicate to management identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements, other than matters that are clearly inconsequential. (Ref: par. .A61)

c. Request management's assessment of the effects, if any, on the financial statements.

d. Consider the effect, if any, of management's assessment of the effects of fraud or noncompliance with laws or regulations communicated to the accountant on the accountant's conclusion on the financial statements and on the accountant's report.

e. Determine whether there is a responsibility to report the occurrence or suspicion of fraud or noncompliance with laws and regulations to a party outside the entity. (Ref: par. .A62)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.35 If the fraud or noncompliance with laws or regulations involves senior management or results in a material misstatement of the financial statements, the accountant should communicate the matter directly to those charged with governance. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.36 The accountant should consider the need to obtain legal advice and take appropriate action, including potential withdrawal, if management or, as appropriate, those charged with governance do not provide sufficient information that supports either of the following: (Ref: par. .A63)

a. The financial statements are not materially misstated due to fraud.

b. The entity is in compliance with laws and regulations, and in the accountant's professional judgment, the effect of the suspected noncompliance may be material to the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Going Concern

.37 If the applicable financial reporting framework includes requirements for management to evaluate the entity's ability to continue as a going concern for a reasonable period of time in preparing financial statements, the accountant should perform review procedures related to the following: (Ref: par. .A64–.A65)

a. Whether the going concern basis of accounting is appropriate

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b. Management's evaluation of whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern

c. If there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, management's plans to mitigate those matters

d. The adequacy of the related disclosures in the financial statements

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.38 If the applicable financial reporting framework does not include a requirement for management to evaluate the entity's ability to continue as a going concern for a reasonable period of time in preparing financial statements, and conditions or events that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time existed at the date of the prior period financial statements (regardless of whether the substantial doubt was alleviated by the accountant's consideration of management's plans) or, in the course of performing review procedures on the current period financial statements, the accountant becomes aware of conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, the accountant should do the following: (Ref: par. .A66–.A67)

a. Inquire of management whether the going concern basis of accounting is appropriate.

b. Inquire of management about its plans for addressing the adverse effects of the conditions and events. (Ref: par. .A68)

c. Consider the adequacy of the disclosure about such matters in the financial statements. (Ref: par. .A69)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Using the Work of Others

.39 In performing the review, it may be necessary for the accountant to use work performed by other accountants, or the work of an individual or organization possessing expertise in a field other than financial reporting. If the accountant uses work performed by another accountant or an expert in the course of performing the review, the accountant should take appropriate steps to be satisfied that the work performed is adequate for the accountant's purposes. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.40 If other accountants have issued a report on the financial statements of significant components, such as subsidiaries and investees, the accountant should obtain and read reports from such other accountants. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

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Reconciling the Financial Statements to the Underlying Accounting Records

.41 The accountant should obtain evidence that the financial statements agree or reconcile with the accounting records. (Ref: par. .A70) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Additional Procedures When the Accountant Becomes Aware That the Financial Statements May Be Materially Misstated

.42 If the accountant becomes aware of a matter or matters that cause the accountant to believe the financial statements may be materially misstated, the accountant should design and perform additional procedures sufficient to enable the accountant to (Ref: par. .A71–.A75)

a. conclude that the matter or matters are not likely to cause the financial statements as a whole to be materially misstated or

b. determine that the matter or matters cause the financial statements as a whole to be materially misstated.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Evaluating Review Evidence Obtained From the Procedures Performed

[.43–.44] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

.45 If, during the performance of review procedures, the accountant becomes aware that information coming to the accountant's attention is incorrect, incomplete, or otherwise unsatisfactory, the accountant should

a. request that management consider the effect of those matters on the financial statements and communicate the results of its consideration to the accountant and

b. consider the results communicated to the accountant by management and whether such results indicate that the financial statements may be materially misstated.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

[.46] [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

.47 The accountant should evaluate whether sufficient appropriate review evidence has been obtained from the procedures performed and, if sufficient appropriate review evidence has not been obtained from the procedures performed, the accountant should perform other procedures that, in the accountant's professional judgment, are necessary in the circumstances to be able to form a conclusion on the financial statements. (Ref: par. .A78) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

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.48 If the accountant is not able to obtain sufficient appropriate review evidence to form a conclusion, the accountant should withdraw from the engagement. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Subsequent Events and Subsequently Discovered Facts

Subsequent Events

.49 When evidence or information that subsequent events that require adjustment of, or disclosure in, the financial statements comes to the accountant's attention, the accountant should request that management consider whether each such event is appropriately reflected in the financial statements in accordance with the applicable financial reporting framework. (Ref: par. .A79) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.50 If the accountant determines that the subsequent event is not adequately accounted for in the financial statements or disclosed in the notes, the accountant should follow the guidance in paragraphs .69–.72. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Subsequently Discovered Facts That Become Known to the Accountant Before the Report Release Date

.51 The accountant is not required to perform any review procedures regarding the financial statements after the date of the accountant’s review report. However, if a subsequently discovered fact becomes known to the accountant before the report release date, the accountant should

a. discuss the matter with management and, when appropriate, those charged with governance and

b. determine whether the financial statements need revision and, if revision is needed, inquire how management intends to address the matter in the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.52 If management revises the financial statements, the accountant should perform the review procedures necessary in the circumstances on the revision. The accountant should also do either of the following:

a. Date the accountant’s review report as of a later date.

b. Include an additional date in the accountant’s review report on the revised financial statements that is limited to the revision (that is, dual-date the accountant’s review report for that revision), thereby indicating that the accountant’s review procedures

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subsequent to the original date of the accountant's review report are limited solely to the revision described in the relevant note to the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.53 If management does not revise the financial statements in circumstances in which the accountant believes they need to be revised, the accountant should modify the accountant's review report or withdraw, as appropriate. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date

.54 If a subsequently discovered fact becomes known to the accountant after the report release date, the accountant should (Ref: par. .A80–.A81)

a. discuss the matter with management and, when appropriate, those charged with governance and

b. determine whether the financial statements need revision and, if revision is needed, inquire how management intends to address the matter in the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.55 If management revises the financial statements, the accountant should do the following:

a. Apply the requirements of paragraph .52.

b. If the reviewed financial statements (before revision) have been made available to third parties, assess whether the steps taken by management are timely and appropriate to ensure that anyone in receipt of those financial statements is informed of the situation, including that the reviewed financial statements are not to be used. If management does not take the necessary steps, the accountant should apply the requirements of paragraph .56. (Ref: par. .A82)

c. If the accountant's conclusion on the revised financial statements differs from the accountant's conclusion on the original financial statements, disclose in an emphasis-of-matter paragraph, in accordance with paragraphs .89–.90,

    i. the date of the accountant's previous report,

    ii. a description of the revisions, and

    iii. the substantive reasons for the revisions.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

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.56 If management does not revise the financial statements in circumstances in which the accountant believes they need to be revised, then the accountant should do the following:

a. If the reviewed financial statements have not been made available to third parties, notify management and those charged with governance (unless all of those charged with governance are involved in managing the entity) not to make the reviewed financial statements available to third parties before the necessary revisions have been made and a new accountant's review report on the revised financial statements has been provided. If the reviewed financial statements are, nevertheless, subsequently made available to third parties without the necessary revisions, the accountant should apply the requirements of paragraph .56*b*.

b. If the reviewed financial statements have been made available to third parties, assess whether the steps taken by management are timely and appropriate to ensure that anyone in receipt of the reviewed financial statements is informed of the situation, including that the reviewed financial statements are not to be used. If management does not take the necessary steps, the accountant should apply the requirements of paragraph .57. (Ref: par. .A81)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.57 If management does not take the necessary steps to ensure that anyone in receipt of the financial statements is informed of the situation, as provided by paragraph .55*b* or paragraph .56*b*, the accountant should notify management and those charged with governance (unless all of those charged with governance are involved in managing the entity) that the accountant will seek to prevent future use of the accountant's review report. If, despite such notification, management or those charged with governance do not take the necessary steps, the accountant should take appropriate action to seek to prevent use of the accountant's review report. (Ref: par. .A83–.A86) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Written Representations

Written Representations as Review Evidence

.58 *Written representations* are necessary information that the accountant requires in connection with a review of the entity's financial statements. Accordingly, similar to responses to inquiries, written representations are review evidence. (Ref: par. .A87) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Management From Whom Written Representations Are Requested

.59 The accountant should request written representations from members of management who have appropriate responsibilities for the financial statements and knowledge of the matters concerned. (Ref: par. .A88–.A90) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

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Specific Written Representations

.60 For all financial statements presented and all periods covered by the review, the accountant should request management to provide written representations that are dated as of the date of the accountant's review report and that indicate that it has fulfilled its responsibilities, as set out in the terms of the engagement, including the following: (Ref: par. .A91–.A97)

a. Management has fulfilled its responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

b. Management acknowledges its responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements, including its responsibility to prevent and detect fraud.

c. All transactions have been recorded and are reflected in the financial statements.

d. Management has provided the accountant with all relevant information and access to information, as agreed upon in the terms of the engagement.

e. Management has responded fully and truthfully to all of the accountant's inquiries

f. Management has disclosed to the accountant the identity of the entity's related parties and all the related party relationships and transactions of which it is aware, and it has appropriately accounted for and disclosed such relationships and transactions.

g. Management has disclosed to the accountant significant facts relating to any fraud or suspected fraud known to management that may have affected the entity involving

    i. management,

    ii. employees who have significant roles in internal control, or

    iii. others, when the fraud could have a material effect on the financial statements.

h. Management has disclosed to the accountant significant facts relating to any allegations of fraud or suspected fraud known to management that may have affected the entity's financial statements communicated by employees, former employees, regulators, or others.

i. Management has disclosed to the accountant all known actual or possible instances of noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

j. Management has disclosed to the accountant all information relevant to the use of the going concern assumption in the financial statements.

k. Management has properly accounted for all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting

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framework requires adjustment or disclosure, and it has made the necessary adjustments or disclosures.

l. Management has disclosed to the accountant whether it believes that the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the financial statements as a whole. A summary of such items should be included in, or attached to, the written representation.

m. Management has disclosed to the accountant all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements, and it has appropriately accounted for and disclosed such litigation and claims in accordance with the applicable financial reporting framework.

n. Management has disclosed to the accountant whether it believes that significant assumptions it used in making accounting estimates are reasonable.

[As amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.61 If, in addition to the representations required by paragraph .60, the accountant determines that it is necessary to obtain one or more written representations to support other review evidence relevant to the financial statements, the accountant should request such other written representations. (Ref: par. .A98) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Form of Written Representations

.62 The written representations should be in the form of a representation letter addressed to the accountant. (Ref: par. .A99–.A100) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Concerns About the Reliability of Written Representations and Requested Written Representations Not Provided

.63 If, in relation to the written representations required by paragraphs .60–.61

a. management does not provide the written representations, or

b. the accountant concludes that there is cause to doubt management's integrity such that the written representations provided are not reliable

the accountant should discuss the matter with management and those charged with governance, as appropriate. If management does not provide the required representations or the accountant continues to doubt management's integrity such that the written representations provided may not be reliable, the accountant should withdraw from the engagement. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

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Forming the Accountant's Conclusion on the Financial Statements

Consideration of the Applicable Financial Reporting Framework in Relation to the Financial Statements

.64 In forming the conclusion on the financial statements, the accountant should do the following:

a. Evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework. (Ref: par. .A101–.A102)

b. Consider whether, in the context of the requirements of the applicable financial reporting framework and the results of procedures performed,

   i. the terminology used in the financial statements, including the title of each financial statement, is appropriate;

   ii. the financial statements adequately disclose the significant accounting policies selected and applied;

   iii. the accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;

   iv. accounting estimates made by management appear reasonable;

   v. the information presented in the financial statements appears relevant, reliable, comparable, and understandable; and

   vi. the financial statements provide adequate disclosures to enable the intended users to understand the effects of material transactions and events on the information conveyed in the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.65 The accountant should consider the impact of the following:

a. Uncorrected misstatements identified during the review, and in the previous year's review of the entity's financial statements, on the financial statements as a whole

b. Qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments (Ref: par. .A103–.A104)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.66 The accountant's consideration should also include the following:

a. The overall presentation, structure, and content of the financial statements

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b. Whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (Ref: par. .A105)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Form of the Conclusion

Unmodified Conclusion

.67 The accountant should express an unmodified conclusion in the accountant's review report on the financial statements as a whole when the accountant has obtained limited assurance to be able to conclude that nothing has come to the accountant's attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.68 When the accountant expresses an unmodified conclusion, the accountant should, unless required by law or regulation, use the following language:

> Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in accordance with [*the applicable financial reporting framework*].

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Modified Conclusion

.69 The accountant should express a modified conclusion in the accountant's review report on the financial statements as a whole when the accountant determines, based on the procedures performed and the review evidence obtained, that the financial statements are materially misstated. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.70 When the accountant modifies the conclusion expressed on the financial statements, the accountant should do the following:

a. Use the heading "Qualified Conclusion" or "Adverse Conclusion," as appropriate, for the conclusion paragraph in the accountant's review report.

b. Provide a description of the matter giving rise to the modification, under an appropriate heading (for example, "Basis for Qualified Conclusion," or "Basis for Adverse Conclusion," as appropriate), in a separate paragraph in the accountant's

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review report immediately before the conclusion paragraph (referred to as the *basis for conclusion paragraph*).

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Financial Statements Are Materially Misstated

.71 If the accountant, having obtained sufficient appropriate review evidence, determines, or is otherwise aware, that the financial statements are materially misstated, the accountant should express one of the following: (Ref: par. .A106)

a. A qualified conclusion, when the accountant concludes that the effects of the matter or matters giving rise to the modification are material but not pervasive to the financial statements

b. An adverse conclusion, when the effects of the matter or matters giving rise to the modification are both material and pervasive to the financial statements

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.72 When the accountant expresses a qualified conclusion on the financial statements because of a material misstatement, the accountant should, unless otherwise required by law or regulation, use the following language:

> Based on our review, except for the effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, 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 [*the applicable financial reporting framework*].

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.73 When the accountant expresses an adverse conclusion on the financial statements, the accountant should, unless otherwise required by law or regulation, use the following language:

> Based on our review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion paragraph, the financial statements are not in accordance with [*the applicable financial reporting framework*].

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

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.74 In the basis for conclusion paragraph, in relation to material misstatements that give rise to either a qualified conclusion or an adverse conclusion, the accountant should do the following:

a. Describe and quantify the financial effects of the misstatement if the material misstatement relates to specific amounts in the financial statements (including quantitative disclosures) and the effects of the departure on the financial statements have been determined by management or are known to the accountant as a result of the accountant's procedures. If the effects of the departure have not been determined by management or are not known to the accountant as a result of the accountant's procedures, the accountant is not required to determine the effects of the departure; however, in such circumstances, the accountant should state in the report that such determination has not been made by management.

b. Explain how disclosures are misstated if the material misstatement relates to narrative disclosures.

c. Describe the nature of omitted information if the material misstatement relates to the nondisclosure of information required to be disclosed. The accountant should include the omitted disclosures when practicable to do so.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Reporting on the Financial Statements

.75 The accountant's review report should be in writing. (Ref: par. .A107–.A109) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Accountant's Review Report

.76 The written review report should include the following: (Ref: par. .A126)

a. A title that includes the word *independent* to clearly indicate that it is the report of an independent accountant for a review engagement. (Ref: par. .A110)

b. An addressee, based on the circumstances of the engagement. (Ref: par. .A111)

c. An introductory paragraph that (Ref: par. .A112–.A114)

   i. identifies the entity whose financial statements have been reviewed,

   ii. states that the financial statements identified in the report were reviewed,

   iii. identifies the financial statements,

   iv. specifies the date or period covered by each financial statement,

   v. includes a statement that a review includes primarily applying analytical procedures to management's (owner's) financial data and making inquiries of company management (owners), and

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vi. includes a statement that 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, and that, accordingly, the accountant does not express such an opinion.

d. A section with the heading "Management's Responsibility for the Financial Statements" that includes an explanation that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; this responsibility 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. (Ref: par. .A115)

e. A section with the heading "Accountant's Responsibility" that includes the following statements:

   i. 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. The accountant's review report should also explain that those standards require that the accountant perform the procedures to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework. (Ref: par. .A116–.A118)

   ii. The accountant believes that the results of the accountant's procedures provide a reasonable basis for the accountant's conclusion.

   iii. The accountant is required to be independent of the entity and to meet the accountant's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the review.

f. A concluding section with an appropriate heading that includes the accountant's conclusion on the financial statements in accordance with paragraphs .67–.74, as appropriate, and that identifies the country of origin of the financial reporting framework, if applicable

g. When the accountant's conclusion on the financial statements is modified,

   i. a paragraph, under the appropriate heading, that contains the accountant's modified conclusion in accordance with paragraphs .69–.74, as appropriate, and

   ii. a paragraph, under an appropriate heading, that provides a description of the matter or matters giving rise to the modification (Ref: par. .A119)

h. The manual or printed signature of the accountant's firm. (Ref: par. .A120–.A121)

i. The city and state where the accountant practices. (Ref: par. .A122)

j. The date of the review report, which should be dated no earlier than the date on which the accountant has obtained sufficient appropriate review evidence as the

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basis for the accountant's conclusion on the financial statements, including being satisfied that

i. all the statements that the financial statements comprise, including the related notes, have been prepared and

ii. management has asserted that it has taken responsibility for those financial statements. (Ref: par. .A123–.A124)

[As amended, effective October 2016, by SSARS No. 23. As amended, effective May 2018, by SSARS No. 24. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. As amended, effective for reviews of financial statements for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Accountant's Review Report on Financial Statements Prepared in Accordance With a Special Purpose Framework

.77 The accountant should modify the review report when the accountant becomes aware that the financial statements do not include

a. a description of the special purpose framework. (Ref: par. .A128)

b. a summary of significant accounting policies.

c. an adequate description about how the special purpose framework differs from GAAP. The effects of these differences need not be quantified. (Ref: par. .A129)

d. informative disclosures similar to those required by GAAP when the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP. (Ref: par. .A130)

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.78 In the case of financial statements prepared in accordance with the provisions of a contract, the accountant should evaluate whether the financial statements adequately describe any significant interpretations of the contract on which the financial statements are based and modify the review report if the financial statements do not adequately describe any significant interpretations of the contract on which the financial statements are based. [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.79 In the case of an accountant's review report on special purpose financial statements, if management has a choice of financial reporting frameworks in the preparation of the special purpose financial statements, the explanation of management's responsibility for the financial statements should also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

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.80 The accountant's review report on financial statements prepared in accordance with a special purpose framework should include an emphasis-of-matter paragraph, under an appropriate heading, that (Ref: par. .A132–.A133)

a. indicates that the financial statements are prepared in accordance with the applicable special purpose framework,

b. refers to the note to the financial statements that describes the framework, and

c. states that the special purpose framework is a basis of accounting other than GAAP.

For special purpose financial statements prepared in accordance with a contractual basis of accounting, the emphasis-of-matter paragraph should also state that, as a result, the financial statements may not be suitable for another purpose. [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.81 If the special purpose financial statements are prepared in accordance with the contractual basis of accounting, the accountant's review report should include, in accordance with paragraph .104, an other-matter paragraph, under an appropriate heading, that, in accordance with paragraphs .106–.109, restricts the use of the accountant's review report (Ref: par. .A134) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Comparative Financial Statements

.82 Comparative financial statements may be required by the applicable financial reporting framework, or management may elect to provide such information. When comparative financial statements are presented, the accountant's report should refer to each period for which financial statements are presented. (Ref: par. .A135–.A136) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Updating the Report

.83 When reporting on all periods presented, a continuing accountant should update the report on one or more prior periods presented on a comparative basis with those of the current period. The accountant's report on comparative financial statements should not be dated earlier than the date that the accountant completed procedures sufficient to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework with respect to the current period. (Ref: par. .A137) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.84 When issuing an updated report, the continuing accountant should consider information that the accountant has become aware of during the review of the current period financial statements. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.85 If, during the current engagement, circumstances or events come to the accountant's attention that may affect the prior-period financial statements presented, the accountant

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should consider the effects on the review report. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Changed Reference to a Departure From the Applicable Financial Reporting Framework

.86 When the accountant's report on the financial statements of the prior period contains a changed reference to a departure from the applicable financial reporting framework, the accountant's review report should include an other-matter paragraph indicating (Ref: par. .A138)

a. the date of the accountant's previous review report.

b. the circumstances or events that caused the reference to be changed.

c. when applicable, that the financial statements of the prior period have been changed.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Reporting When One Period Is Audited

.87 When the prior period financial statements were audited and the auditor's report on the prior period financial statements is not reissued, the review report on the current period financial statements should include an other-matter paragraph indicating

a. that the financial statements of the prior period were previously audited;

b. the date of the auditor's report on the prior period financial statements;

c. the type of opinion issued on the prior period financial statements;

d. if the opinion was modified, the substantive reasons for the modification; and

e. that no auditing procedures were performed after the date of the previous report.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.88 [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report

Emphasis-of-Matter Paragraphs in the Accountant's Review Report

.89 If the accountant considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the accountant's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the accountant should include an emphasis-of-matter paragraph in the accountant's review report, provided that the accountant has obtained sufficient appropriate review evidence to conclude that the accountant is not aware of any material modifications that should be made to the financial statements with respect to such matter.

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Such a paragraph should refer only to information presented or disclosed in the financial statements. (Ref: par. .A143–.A145) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.90 When the accountant includes an emphasis-of-matter paragraph in the accountant's review report, the accountant should do the following:

a. Include the paragraph within a separate section of the accountant's report with the heading "Emphasis of a Matter" or other appropriate heading. (Ref: par. .A146–.A147)

b. Include in the paragraph a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements. The paragraph should refer only to information presented or disclosed in the financial statements.

c. Indicate that the accountant's conclusion is not modified with respect to the matter emphasized. (Ref: par. .A148)

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Other-Matter Paragraphs in the Accountant's Review Report

.91 If the accountant considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the accountant's professional judgment, is relevant to the users' understanding of the review, the accountant's responsibilities, or the accountant's review report, the accountant should include an other-matter paragraph in the accountant's review report. [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.92 When the accountant includes an other-matter paragraph in the accountant's review report, the accountant should include the paragraph within a separate section with the heading "Other Matter" or other appropriate heading. (Ref: par. .A143, .A146, and .A149–.A151) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Communication With Management

.93 If the accountant expects to include an emphasis-of-matter or other-matter paragraph in the accountant's review report, the accountant should communicate with management regarding this expectation and the proposed wording of this paragraph. (Ref: par. .A152–.A153) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Correction of a Material Misstatement in Previously Issued Financial Statements

.94 The accountant should include an emphasis-of-matter paragraph in the accountant's review report when there are adjustments to correct a material misstatement in previously

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issued financial statements. The accountant should include this type of emphasis-of-matter paragraph in the accountant's review report when the related financial statements are restated to correct the prior material misstatement. The paragraph need not be repeated in subsequent periods. (Ref: par. .A154–.A156) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.95 The emphasis-of-matter paragraph should include

a. a statement that the previously issued financial statements have been restated for the correction of a material misstatement in the respective period and

b. a reference to the entity's disclosure of the correction of the material misstatement. (Ref: par. .A157)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.96 If the financial statement disclosures relating to the restatement to correct a material misstatement in previously issued financial statements are not adequate, the accountant should address the inadequacy of disclosure as described in paragraphs .69–.72. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Other Reporting Responsibilities

.97 An accountant may be requested to address other reporting responsibilities in the accountant's review report on the financial statements that are in addition to the accountant's responsibilities in accordance with this section to report on the financial statements. In such situations, those other reporting responsibilities should be addressed by the accountant in a separate section in the accountant's review report, under the heading "Report on Other Legal and Regulatory Requirements," or otherwise, as appropriate to the content of the section, following the section of the report titled "Report on the Financial Statements." (Ref: par. .A158) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

[.98–.102] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

Alert That Restricts the Use of the Accountant's Review Report

.103 An accountant's review report should include an alert, in a separate paragraph, that restricts its use when the subject matter of the accountant's review report is based on (Ref: par. .A165–.A167)

a. measurement or disclosure criteria that are determined by the accountant to be suitable only for a limited number of users who can be presumed to have an adequate understanding of the criteria or

b. measurement or disclosure criteria that are available only to the specified parties.

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[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.104 The alert that restricts the use of the accountant's review report required by paragraph .103 should

a. state that the accountant's review report is intended solely for the information and use of the specified parties.

b. identify the specified parties for whom use is intended.

c. state that the accountant's review report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A168)

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Adding Other Specified Parties

.105 When, in accordance with paragraph .103, the accountant includes an alert that restricts the use of the accountant's review report to certain specified parties and the accountant is requested to add other parties as specified parties, the accountant should determine whether to agree to add the other parties as specified parties. (Ref: par. .A169)
[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.106 If the other parties are added after the release of the accountant's review report, the accountant should either:

a. Amend the accountant's review report to add the other parties and, in such circumstances, not change the original date of the accountant's review report.

b. Provide a written acknowledgment to management and the other parties that such parties have been added as specified parties and state in the acknowledgment that no procedures were performed subsequent to the original date of the accountant's review report.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

The Accountant's Consideration of an Entity's Ability to Continue as a Going Concern

[.107–.108] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

Implications for the Accountant's Review Report When Substantial Doubt Exists About the Entity's Ability to Continue as a Going Concern

.109 If, after considering conditions or events and management's plans, the accountant concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, the accountant should include a separate section in the accountant's review report with the heading "Substantial Doubt About the Entity's Ability to Continue as a Going Concern" that does the following: (Ref: par. .A177–.A184)

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a. Draws attention to the note in the financial statements that discloses
   i. the conditions or events identified and management's plans that deal with these conditions or events and
   ii. that these conditions or events indicate that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time
b. States that the accountant's conclusion is not modified with respect to the matter

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.110 The description in the "Going Concern" section about the entity's ability to continue as a going concern for a reasonable period of time should use terms consistent with those included in the applicable financial reporting framework. The accountant should not use conditional language concerning the existence of substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. (Ref: par. .A183) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.111 If adequate disclosure about an entity's ability to continue as a going concern for a reasonable period of time is not made in the financial statements, the accountant should do the following:

a. Express a qualified or adverse conclusion, as appropriate, in accordance with paragraphs .71–.74
b. In the "Basis for Qualified (Adverse) Conclusion" section of the accountant's review report, state that
   i. substantial doubt exists about the entity's ability to continue as a going concern and that the financial statements do not adequately disclose this matter or
   ii. substantial doubt about the entity's ability to continue as a going concern has been alleviated by management's plans but the financial statements do not adequately disclose this matter.

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Management Unwilling to Perform or Extend Its Evaluation

.112 If management is unwilling to perform or extend its evaluation to meet the period of time required by the applicable financial reporting framework when requested to do so by

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the accountant, the accountant should consider the implications for the accountant's review report. (Ref: par. .A125) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

[.113–.121] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

Reference to the Work of Other Accountants in an Accountant's Review Report

.122 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 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. .A193–.A195) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.123 Reference to the audit or review of other accountants in the accountant's review report on the reporting entity should not be made if the other accountants issued an auditor's or an accountant's review report that includes an alert that restricts the use of such report. [Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

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

.124 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 determine the following:

a. 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. 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. .A196)

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c. The other accountants understand the ethical requirements that are relevant to the engagement and, in particular, are independent. (Ref: par. .A197)

d. 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.

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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

.125 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 the following apply:

a. The accountant has determined that 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.

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. .A198)

[Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

Supplementary Information That Accompanies Reviewed Financial Statements and the Accountant's Review Report Thereon

.126 When supplementary information accompanies reviewed financial statements and the accountant's review report thereon, the accountant should clearly indicate the degree of responsibility, if any, the accountant is taking with respect to such information in either

a. an other-matter paragraph in the accountant's review report on the financial statements or

b. a separate report on the supplementary information

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[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.127 When the accountant has subjected the supplementary information to the review procedures applied in the accountant's review of the basic financial statements, the other-matter paragraph in the accountant's review report on the financial statements or the separate report on the supplementary information should state that (Ref: par. .A200 and .A202)

a. the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements;

b. the supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements;

c. the supplementary information has been subjected to the review procedures applied in the accountant's review of the basic financial statements and whether the accountant is aware of any material modifications that should be made to the supplementary information; and

d. the accountant has not audited the supplementary information and does not express an opinion on such information.

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.128 When the accountant has not subjected the supplementary information to the review procedures applied in the accountant's review of the basic financial statements, the other-matter paragraph in the accountant's review report on the financial statements or the separate report on the supplementary information should state that (Ref: par. .A201–.A202)

a. the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements;

b. the supplementary information is the responsibility of management; and

c. the accountant has not audited or reviewed the supplementary information and, accordingly, does not express an opinion, a conclusion, nor provide any assurance on such information.

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Required Supplementary Information

.129 Concerning the requirement in paragraph .126, with respect to required supplementary information, the accountant should include an other-matter paragraph in

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the accountant's review report on the financial statements. The other-matter paragraph should include language to explain the following circumstances, as applicable: (Ref: par. .A203)

a. The required supplementary information is included, and the accountant performed a compilation engagement on the required supplementary information.

b. The required supplementary information is included, and the accountant reviewed the required supplementary information.

c. The required supplementary information is included, and the accountant did not perform a compilation, review, or audit on the required supplementary information.

d. The required supplementary information is omitted.

e. Some required supplementary information is missing, and some is presented in accordance with the prescribed guidelines (Ref: par. .A204)

f. The accountant has identified departures from the prescribed guidelines.

g. The accountant has unresolved doubts about whether the required supplementary information is presented in accordance with prescribed guidelines.

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.130 If the entity has presented all or some of the required supplementary information and the accountant did not perform a compilation or review on the required supplementary information, the other-matter paragraph referred to in paragraph .126 should include the following elements: (Ref: par. .A205)

a. A statement that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] require that the [*identify the required supplementary information*] be presented to supplement the basic financial statements

b. A statement that such information, although not a part of the basic financial statements, is required by [*identify designated accounting standards-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

c. A statement that the accountant did not perform a compilation, review, or audit on the required supplementary information and does not express an opinion or provide any assurance on the information

d. If some of the required supplementary information is omitted

    i. a statement that management has omitted [*description of the missing required supplementary information*] that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United*

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States of America)] require to be presented to supplement the basic financial statements

ii. a statement that such missing information, although not a part of the basic financial statements, is required by [*identify designated accounting standards-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

e. If the measurement or presentation of the required supplementary information departs materially from the prescribed guidelines, a statement that material departures from prescribed guidelines exist [*describe the material departures from the applicable financial reporting framework*]

f. If the accountant has unresolved doubts about whether the required supplementary information is measured or presented in accordance with prescribed guidelines, a statement that the accountant has doubts about whether material modifications should be made to the required supplementary information for it to be presented in accordance with guidelines established by [*identify designated accounting standards-setter*]

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.131 If all the required supplementary information is omitted, the other-matter paragraph should include the following elements:

a. A statement that management has omitted [*description of the missing required supplementary information*] that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] require to be presented to supplement the basic financial statements

b. A statement that such missing information, although not a part of the basic financial statements, is required by [*identify designated accounting standards-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Change in Engagement From Audit to Review

.132 If the accountant, who was engaged to perform an audit engagement in accordance with generally accepted auditing standards, has been requested to change the engagement to a review engagement, the accountant should consider the following before deciding whether to agree to the change: (Ref: par. .A206–.A207)

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a. The reason given for the request, particularly the implications of a restriction on the scope of the audit engagement, whether imposed by management or by circumstances (Ref: par. .A208)

b. The additional audit effort required to complete the audit engagement

c. The estimated additional cost to complete the audit engagement

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.133 In all circumstances, if the audit procedures are substantially complete or the cost to complete such procedures is relatively insignificant, the accountant should consider the propriety of accepting a change in the engagement. [Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.134 If the accountant concludes, based upon the accountant's professional judgment, that reasonable justification exists to change the engagement, and if the accountant complies with the standards applicable to a review engagement, the accountant should issue an appropriate review report. [Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.135 The report should not include reference to

a. the original engagement,

b. any audit procedures that may have been performed, or

c. scope limitations that resulted in the changed engagement.

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.136 When the accountant has been engaged to audit an entity's financial statements and management refuses to allow the accountant to correspond with the entity's legal counsel, the accountant, except in rare circumstances, is precluded from accepting an engagement to review those financial statements. [Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Review Documentation

.137 The preparation of documentation for the review provides evidence that the review was performed in accordance with SSARSs and a sufficient and appropriate record of the basis for the accountant's report. The accountant should prepare review documentation in a timely manner that is sufficient to enable an experienced accountant, having no previous connection to the review, to understand the following: (Ref: par. .A209–.A213)

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a. The nature, timing, and extent of the review procedures performed to comply with SSARSs

b. The review evidence obtained from the review procedures performed and the accountant's conclusions formed on the basis of that review evidence

c. Significant matters arising during the review, the accountant's conclusions reached thereon, and significant professional judgments made in reaching those conclusions

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.138 In addition to the requirements in paragraph .137, the review documentation should include the following:

a. The engagement letter or other suitable form of written documentation with management, as described in paragraphs .16–.17 (Ref: par. .A25 and .A27)

b. Communications with management regarding the accountant's expectation to include an emphasis-of-matter or other-matter paragraph in the accountant's review report as required by paragraph .93

c. Communications with management, those charged with governance, and others as relevant to the performance of the review of significant matters arising during the engagement, including the nature of those matters

d. Communications with other accountants that have audited or reviewed the financial statements of significant components as required by paragraph .122

e. If, in the course of the engagement, the accountant identified information that is inconsistent with the accountant's findings regarding significant matters affecting the financial statements, how the inconsistency was addressed

f. The representation letter

g. A copy of the reviewed financial statements and the accountant's review report thereon

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.139 In documenting the nature, timing, and extent of procedures performed as required in this section, the accountant should record the following:

a. Who performed the work and the date such work was completed

b. Who reviewed the work performed and the date and extent of the review

c. If the review engagement is subject to an engagement quality review

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i. the identity of the engagement quality reviewer for the engagement and the date and extent of such review and

ii. that the engagement quality review has been completed before the release of the accountant's review report

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. As amended, effective for reviews of financial statements for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Application and Other Explanatory Material

Introduction

.A1 If the accountant is engaged to perform a review of historical financial information other than financial statements, references in this section to *financial statements* are to be taken as a reference to such other historical financial information. [Paragraph added, effective October 2016, by SSARS No. 23.]

.A2 Examples of other historical financial information that an accountant may be engaged to review include, but are not limited to, the following:

- Specified elements, accounts, or items of a financial statement, such as schedules of rentals, royalties, profit participation, or provision for income taxes
- Supplementary information
- Required supplementary information
- Financial information contained in a tax return

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

.A3 The accountant may review a single financial statement, such as a balance sheet, and not other related financial statements, such as the statements of income, retained earnings, and cash flows, if the scope of the accountant's inquiry and analytical procedures have not been restricted. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

Objectives (Ref: par. .07)

.A4 A review differs significantly from an audit of financial statements in which the auditor obtains reasonable assurance, which is a high, but not absolute, level of assurance, that the financial statements are free of material misstatement. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit. Accordingly, in a review, the accountant does not obtain assurance that he or she will become aware of all significant matters that would be disclosed in an audit. Therefore, a review is designed to obtain only limited assurance as

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a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the applicable financial reporting framework. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

[.A5–.A9] [Paragraphs deleted by the issuance of SSARS No. 25, February 2020.]

Definitions (Ref: par. .08)

.A10 Sufficient appropriate review evidence, consisting primarily of the results of the accountant's analytical procedures and inquiries, is required to obtain limited assurance to support the accountant's conclusion. Review evidence is cumulative in nature and primarily obtained from the procedures performed during the course of the review. The combination of the nature, timing, and extent of evidence-gathering procedures is limited compared to an audit engagement. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A11 Most financial reporting frameworks requiring an explicit management evaluation of the entity's ability to continue as a going concern specify the period of time to be evaluated. For example, the financial reporting frameworks of the following standard-setting bodies specify such period of time as follows:

a. *FASB.* Within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).[1]

b. *GASB.* 12 months beyond the date of the financial statements. GASB further requires that, if a governmental entity currently knows information that may raise substantial doubt shortly thereafter (for example, within an additional three months), such information should also be considered.[2]

c. *International Accounting Standards Board.* At least, but not limited to, one year from the end of the reporting period.[3]

[Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

[.A12] [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

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[1]"Pending Content" in FASB *Accounting Standards Codification* (ASC) 205-40-50-1. [Footnote added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24.]

[2]Paragraph 16 of GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. [Footnote added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24.]

[3]Paragraph 26 of International Accounting Standard 1, *Presentation of Financial Statements*. [Footnote added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24.]

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.A13 Supplementary information includes additional details or explanations of items in or related to the basic financial statements, consolidating information, historical summaries of items extracted from the basic financial statements, statistical data, and other material, some of which may be from sources outside the accounting system or outside the entity. [Paragraph added, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A14 Supplementary information may be prepared in accordance with an applicable financial reporting framework, by regulatory or contractual requirements, in accordance with management's criteria, or in accordance with other requirements. [Paragraph added, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Independence (Ref: par. .10)

.A15 The AICPA Code of Professional Conduct provides guidance with respect to independence. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A16 Nothing prohibits an accountant who is unable to complete a review engagement due to a determination that the accountant's independence is impaired from performing a compilation engagement on those financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Professional Skepticism (Ref: par. .11)

.A17 Professional skepticism includes being alert to the following, for example:

- Review evidence that contradicts other review evidence obtained
- Information that brings into question the reliability of responses to inquiries and other information or records to be used as review evidence
- Circumstances that suggest the need for review procedures in addition to those required by this section

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A18 Maintaining professional skepticism throughout the review is necessary if the accountant is, for example, to reduce the risks of

- overlooking unusual circumstances.

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- overgeneralizing when drawing conclusions from review observations.
- using inappropriate assumptions in determining the nature, timing, and extent of the review procedures and evaluating the results thereof.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A19 Professional skepticism is necessary to the critical assessment of review evidence. This includes questioning contradictory review evidence and the reliability of responses to inquiries and other information obtained from management and those charged with governance. It also includes consideration of the sufficiency and appropriateness of review evidence obtained in light of the circumstances. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A20 The accountant may accept records and documents as genuine unless the accountant has reason to believe the contrary. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A21 The accountant neither assumes that management is dishonest nor assumes unquestioned honesty. The accountant cannot be expected to disregard past experience of the honesty and integrity of management and those charged with governance. Nevertheless, a belief that management and those charged with governance are honest and have integrity does not relieve the accountant of the need to maintain professional skepticism or allow the accountant to be satisfied with less than persuasive review evidence when obtaining limited assurance. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Acceptance and Continuance of Client Relationships and Review Engagements (Ref: par. .13)

.A22 A review in accordance with SSARSs is conducted on the premise that management has acknowledged and understands that it has the responsibility set out in paragraph .31*b* of section 60. The preparation of financial statements, in whole or in part, is a nonattest service subject to the provisions of the "Nonattest Services" interpretation (ET sec. 1.295) of the "Independence Rule" of the AICPA Code of Professional Conduct. To avoid misunderstanding, agreement is reached with management that it acknowledges and understands that it has such responsibilities as part of agreeing and documenting the terms of the review engagement as required by paragraphs .16–.17. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A23 Documents containing financial statements that may include an indication that such financial statements have been reviewed by the entity's accountant includes documents submitted to bonding companies. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24,

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May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Agreement on Engagement Terms (Ref: par. .16–.17 and .135)

.A24 Both management and the accountant have an interest in documenting the agreed-upon terms of the review engagement before the commencement of the review engagement to help avoid misunderstandings with respect to the review engagement. For example, it reduces the risk that management may inappropriately rely on or expect the accountant to protect management against certain risks or perform certain functions, including those that are management's responsibility. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A25 The roles of management and those charged with governance in agreeing upon the terms of the review engagement for the entity depend on the governance structure of the entity and relevant law or regulation. Depending on the entity's structure, the agreement may be with management, those charged with governance, or both. When the agreement on the terms of engagement is only with those charged with governance, nonetheless, in accordance with paragraph .31*b* of section 60, the accountant is required to obtain management's agreement that it acknowledges and understands its responsibilities. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A26 When a third party has contracted for a review of the entity's financial statements, agreeing the terms of the review with management of the entity is necessary in order to establish that the preconditions for a review are present. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A27 The understanding with management regarding the services to be performed for review engagements is required by paragraph .16 to be in a documented form, and, accordingly, an oral understanding is insufficient. An engagement letter is the most common and usually the most convenient method for documenting the understanding with management regarding the services to be performed for review engagements. [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A28 Although the accountant may prepare the financial statements, in whole or in part, the financial statements are representations of management, and the fairness of their presentation in accordance with the applicable financial reporting framework is management's responsibility. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May

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2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A29 Illustrations of engagement letters for a review of financial statements are presented in exhibit A, "Illustrative Engagement Letters." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Communication With Management and Those Charged With Governance (Ref: par. .18)

.A30 In a review engagement, the accountant's communications with management and those charged with governance take the form of

a. inquiries the accountant makes in the course of performing the procedures for the review and

b. other communications, in the context of having effective two-way communication to understand matters arising and to develop a constructive working relationship for the engagement.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A31 The appropriate timing for communications will vary with the circumstances of the engagement. Relevant factors include the significance and nature of the matter and any action expected to be taken by management or those charged with governance. For example, it may be appropriate to communicate a significant difficulty encountered during the review as soon as practicable if management or those charged with governance are able to assist the accountant to overcome the difficulty. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A32 Law or regulation may restrict the accountant's communication of certain matters with those charged with governance. For example, law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the accountant's obligations of confidentiality and obligations to communicate may be complex. In such cases, the accountant may consider obtaining legal advice. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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Communicating Matters Concerning the Review

.A33 Matters to be communicated to management or those charged with governance, as appropriate, in accordance with this section may include the following:

- The accountant's responsibilities in the review engagement, as included in the engagement letter or other suitable form of written agreement.
- Significant findings from the review, for example
  - — the accountant's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.
  - — significant findings from the performance of procedures, including situations when the accountant considered performance of additional procedures necessary in accordance with this section. The accountant may need to confirm that those charged with governance have the same understanding of the facts and circumstances relevant to specific transactions or events.
  - — Matters arising that may lead to modification of the accountant's review report.
  - — Significant difficulties, if any, encountered during the review, for example, unavailability of expected information, unexpected inability to obtain evidence that the accountant considers necessary for the review, or restrictions imposed on the accountant by management. In some circumstances, such difficulties may lead to the accountant's withdrawal from the engagement.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A34 In some entities, different persons are responsible for the management and governance of an entity. In these circumstances, management may have the responsibility to communicate matters of governance interest to those charged with governance. Communication by management with those charged with governance of matters that the accountant is required to communicate does not relieve the accountant of the responsibility to also communicate with those charged with governance. However, communication of these matters by management may affect the form or timing of the accountant's communication with those charged with governance. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Communication With Third Parties

.A35 The accountant may be required by law or regulation to, for example

- notify a regulatory or enforcement body of certain matters communicated with those charged with governance.

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- submit copies of certain reports prepared for those charged with governance to relevant regulatory or funding bodies or, in some cases, make such reports publicly available.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A36 Unless required by law or regulation to provide a third party with a copy of the accountant's written communications with those charged with governance, the accountant may need the prior consent of management or those charged with governance before doing so. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Performing the Engagement

Materiality in a Review of Financial Statements (Ref: par. .19)

.A37 The accountant's consideration of materiality is made in the context of the applicable financial reporting framework. Financial reporting frameworks often discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that

- misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
- judgments about materiality are made in light of surrounding circumstances and affected by the size or nature of a misstatement or a combination of both.
- judgments about materiality involve both qualitative and quantitative considerations.
- judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A38 If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph .A37 provide the accountant with such a frame of reference. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A39 The accountant's determination of materiality is a matter of professional judgment and is affected by the accountant's perception of the financial information needs of users

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of the financial statements. For purposes of determining materiality, the accountant may assume that reasonable users

- have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented, and reviewed to levels of materiality;
- recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and
- make reasonable judgments based on the information in the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A40 The accountant's judgment about what is material in relation to the financial statements as a whole is the same regardless of the level of assurance obtained by the accountant as a basis for expressing a conclusion on the financial statements. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A41 The accountant's determination of materiality for the financial statements as a whole may need to be revised during the engagement as a result of the following:

- A change in the circumstances that occurred during the review (for example, a decision to dispose of a major part of the entity's business)
- New information, or a change in the accountant's understanding of the entity and its environment as a result of performing review procedures (for example, if during the review it appears that actual financial results are likely to be substantially different from anticipated period-end financial results that were used initially to consider materiality for the financial statements as a whole)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Understanding of the Industry (Ref: par. .21)

.A42 The requirement that the accountant possess a level of knowledge of the industry in which the entity operates does not prevent the accountant from accepting a review engagement for an entity in an industry with which the accountant has no previous experience. It does, however, place upon the accountant a responsibility to obtain the required level of knowledge. The accountant may do so, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals knowledgeable about the industry. [Paragraph renumbered by the issuance of SSARS No.

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23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Knowledge of the Entity (Ref: par. .22)

.A43 The accountant may obtain knowledge of the entity through inquiry of the entity's personnel, the review of documents prepared by the entity, or experience with the entity or the entity's industry. Such knowledge includes the following:

- An understanding of the entity's business
- An understanding of the accounting principles and practices used by the entity in measuring, recognizing, recording, and disclosing all significant accounts and disclosures in the financial statements

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A44 The accountant's understanding of the entity's business encompasses a general understanding of the entity's organization; its operating characteristics; and the nature of its assets, liabilities, revenues, and expenses. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Designing and Performing Review Procedures (Ref: par. .24–.25)

.A45 Review evidence obtained through the performance of analytical procedures and inquiry will ordinarily provide the accountant with a reasonable basis for obtaining limited assurance. However, in addition to analytical procedures and inquiries, in certain circumstances and based on the accountant's professional judgment, the accountant may perform procedures ordinarily performed in an audit. In such instances, the engagement remains a review, and the accountant is not required to perform an audit of the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A46 The results of the accountant's analytical procedures and inquiries may modify the accountant's risk awareness. For example, the response to an inquiry that a related party transaction is not disclosed may revise the accountant's awareness of risk relative to related party transactions. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A47 Both quantitative and qualitative factors are considered when determining which items are material to the financial statements, including disclosures, and which

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areas include increased risk of material misstatement. For example, disclosure of the implementation status of a new accounting standard may not include quantitatively material disclosures but may be qualitatively material such that the accountant would perform inquiry procedures to validate the disclosures presented. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Analytical Procedures (Ref: par. .26–.27)

.A48 Examples of analytical procedures that an accountant may consider performing when conducting a review of financial statements are contained in appendix A, "Analytical Procedures the Accountant May Consider Performing When Conducting a Review of Financial Statements." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A49 Analytical procedures include the consideration of comparisons of the entity's financial information with, for example:

- Comparable information for prior periods
- Anticipated results of the entity, such as budgets or forecasts, or expectations of the accountant, such as an estimation of depreciation
- Similar industry information, such as a comparison of the entity's ratio of sales to accounts receivable and gross margin percentages with industry averages or other entities of comparable size in the same industry

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A50 Analytical procedures also include consideration of relationships, for example:

- Among elements of financial information, such as gross margin percentages, that would be expected to conform to a predictable pattern based on recent history of the entity and industry
- Between financial information and relevant nonfinancial information, such as payroll costs to number of employees

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A51 When considering plausible relationships, the accountant may wish to consider information developed and used by the entity (for example, analyses prepared for management or those charged with governance). [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of

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SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A52 Expectations developed by the accountant in performing analytical procedures in connection with a review of financial statements may be less precise than those developed in an audit. Also, in a review, the accountant is not required to corroborate management's responses with other evidence. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A53 To compare disaggregated revenue data, the accountant may compare, for example, revenue reported by month and product line or operating segment during the current period with that of comparable prior periods. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A54 Various methods may be used to perform analytical procedures. These methods range from performing simple comparisons to performing complex analyses. Analytical procedures may be performed at the financial statement level or at the detailed account level. The nature, timing, and extent of analytical procedures are a matter of professional judgment. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Investigating Results of Analytical Procedures (Ref: par. .28b)

.A55 Although the accountant is not required to corroborate management's responses with other evidence, the need to perform other review procedures may arise when, for example, management is unable to provide an explanation, or the explanation is not considered adequate. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters (Ref: par. .29)

.A56 In addition to members of management who have responsibility for financial and accounting matters, the accountant may determine to direct inquiries to others within the entity and those charged with governance, if appropriate. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A57 Additional examples of unusual or complex transactions, events, or matters about which the accountant may inquire of management are as follows:

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- Correction of an error
- Business combinations
- New or complex revenue recognition methods
- Impairment of assets
- Disposal of a segment of a business
- Use of derivative instruments and hedging activities
- Sales and transfers that may call into question the classification of investments in securities, including management's intent and ability with respect to the remaining securities classified as held to maturity
- Adoption of new stock compensation plans or changes to existing plans
- Restructuring charges taken in the current and prior periods
- Significant, unusual, or infrequently occurring transactions
- Changes in litigation or contingencies
- Application of new accounting principles
- Changes in accounting principles or the methods of applying them
- Trends and developments affecting accounting estimates, such as allowances for bad debts and excess or obsolete inventories, provisions for warranties and employee benefits, and realization of unearned income and deferred charges
- Compliance with debt covenants
- Material off-balance-sheet transactions, variable interest entities, and other equity investments
- Unique terms for debt or capital stock that could affect classification

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A58 Management may obtain knowledge of fraud or suspected fraud affecting the entity involving management or others when the fraud could have a material effect on the financial statements through, among other things, communications received from employees, former employees, or others. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018.]

.A59 The accountant may obtain and read minutes from meetings of stockholders, the board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements as an effective and efficient procedure to meet the requirement

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in paragraph .29*m* to inquire of members of management who have responsibility for financial and accounting matters concerning the financial statements about actions taken at such meetings. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Procedures to Address Specific Circumstances

Related Parties

Understanding the Nature of Significant Transactions Outside the Normal Course of Business (Ref: par. .33a)

.A60 Inquiring into the nature of the significant transactions outside the entity's normal course of business involves obtaining an understanding of the business rationale of the transactions and the terms and conditions under which these have been entered into. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Fraud and Noncompliance With Laws or Regulations (Ref: par. .34)

.A61 The communication of matters involving identified or suspected noncompliance may describe the act of identified or suspected noncompliance, the circumstances of its occurrence, and the effect on the financial statements. The accountant may reach agreement in advance with management and those charged with governance, if applicable, on the nature and amount of matters that would be considered not material and, thus, need not be communicated. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A62 The accountant's professional duty to maintain the confidentiality of client information may preclude reporting identified or suspected noncompliance with laws and regulations to a party outside the entity. However, the accountant's legal responsibilities vary by jurisdiction, and in certain circumstances, the duty of confidentiality may be overridden by statute, the law, or courts of law. In the following circumstances, a duty to notify parties outside the entity may exist:

- In response to a court order
- In compliance with requirements for the reviews of entities that receive financial assistance from a government agency

Because potential conflicts with the accountant's ethical and legal obligations regarding confidentiality may be complex, the accountant may consult with legal counsel before discussing noncompliance with parties outside the entity. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A63 The accountant may consider whether withdrawal from the engagement is necessary when

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- management or those charged with governance do not take the remedial action that the accountant considers necessary in the circumstances or
- matters regarding fraud or noncompliance with laws or regulations involve an owner of the business.

When deciding whether withdrawal from the engagement is necessary, the accountant may consider seeking legal advice. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Going Concern (Ref: par. .37–.38)

.A64 The nature and extent of the accountant's review procedures are matters of the accountant's professional judgment. For example, when a history of profitable operations and ready access to financing exists, inquiry alone might be sufficient to review the entity's ability to continue as a going concern for a reasonable period of time. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A65 Certain financial reporting frameworks require management to evaluate the entity's ability to continue as a going concern for a reasonable period of time in preparing financial statements. For example, FASB *Accounting Standards Codification*® (ASC) requires management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern. Under FASB ASC, the evaluation period is within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A66 A review of financial statements is not designed to identify conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. However, conditions or events that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time may have existed at the date of the prior period financial statements or may be identified as a result of inquiries of management or in the course of performing other review procedures. The significance of such conditions and events will depend on the circumstances, and some may have significance only when viewed in conjunction with others. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A67 The following are examples of conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time:

- *Negative trends.* For example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, and other adverse key financial ratios
- *Other indications of possible financial difficulties.* For example, defaults on loans or similar agreements, arrearages in dividends, denial of usual trade credit from

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suppliers, a need to restructure debt to avoid default, noncompliance with statutory capital requirements, and a need to seek new sources or methods of financing or to dispose of substantial assets

- *Internal matters.* For example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project, uneconomic long-term commitments, and a need to significantly revise operations
- *External matters.* For example, legal proceedings, legislation, or similar matters that might jeopardize an entity's ability to operate; loss of a key franchise, license, or patent; loss of a principal customer or supplier; and an uninsured or underinsured catastrophe such as a hurricane, tornado, earthquake, or flood

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A68 The significance of such conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time can often be mitigated by other factors. The following list includes examples of plans that management may implement to mitigate conditions or events that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time. The examples are not all-inclusive. Following each example is a list of the types of information that management should consider at the date that the financial statements are issued in evaluating the feasibility of the plans to determine whether it is probable[4] that the plan will be effectively implemented within one year after the date that the financial statements are issued.[5]

a. Plans to dispose of an asset or business
    i. Restrictions on disposal of an asset or business, such as covenants that limit those transactions in loans or similar agreements, or encumbrances against the asset or business
    ii. Marketability of the asset or business that management plans to sell
    iii. Possible direct or indirect effects of disposal of the asset or business
b. Plans to borrow money or restructure debt
    i. Availability and terms of new debt financing or availability and terms of existing debt refinancing, such as term debt, lines of credit, or arrangements for factoring receivables or sale-leaseback of assets
    ii. Existing or committed arrangements to restructure or subordinate debt or to guarantee loans to the entity

[4]The FASB ASC Master Glossary defines *probable* as "the future event or events are likely to occur." [Footnote renumbered by the issuance of SSARS No. 24, May 2018.]

[5]"Pending Content" in FASB ASC 205-40-55-3. [Footnote renumbered by the issuance of SSARS No. 24, May 2018.]

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iii. Possible effects on management's borrowing plans of existing restrictions on additional borrowing or the sufficiency of available collateral

c. Plans to reduce or delay expenditures

i. Feasibility of plans to reduce overhead or administrative expenditures, to postpone maintenance or research and development projects, or to lease rather than purchase assets

ii. Possible direct or indirect effects on the entity and its cash flows of reduced or delayed expenditures

d. Plans to increase ownership equity

i. Feasibility of plans to increase ownership equity, including existing or committed arrangements to raise additional capital

ii. Existing or committed arrangements to reduce current dividend requirements or to accelerate cash infusions from affiliates or other investors

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A69 In considering the adequacy of disclosure, some of the information that may be disclosed, depending on the requirements of the financial reporting framework, includes the following:

- Principal conditions and events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time
- The possible effects of such conditions and events
- Management's evaluation of the significance of those conditions and events in relation to the entity's ability to meet its obligations and any mitigating factors
- Possible discontinuance of operations
- Management's plans (including relevant prospective financial information) that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time
- Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Reconciling the Financial Statements to the Underlying Accounting Records (Ref: par. .41)

.A70 To obtain evidence that the financial statements agree or reconcile with the accounting records, the accountant may compare the financial statements to

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- the accounting records, such as the general ledger;
- a consolidating schedule derived from the accounting records; or
- other supporting data in the entity's records.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Additional Procedures When the Accountant Becomes Aware That the Financial Statements May Be Materially Misstated (Ref: par. .42)

.A71 Additional procedures are required in accordance with this section if the accountant becomes aware of a matter that causes the accountant to believe the financial statements may be materially misstated. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A72 The accountant's response in undertaking additional procedures with respect to an item the accountant has cause to believe may be materially misstated in the financial statements will vary, depending on the circumstances, and is a matter for the accountant's professional judgment. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A73 The accountant's judgment about the nature, timing, and extent of additional procedures that are needed to obtain review evidence to either conclude that a material misstatement is not likely, or determine that a material misstatement exists, is guided by the following:

- Information obtained from the accountant's evaluation of the results of the procedures already performed
- The accountant's updated understanding of the entity and its environment obtained throughout the course of the engagement
- The accountant's view on the persuasiveness of review evidence needed to address the matter that causes the accountant to believe that the financial statements may be materially misstated

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A74 Additional procedures focus on obtaining sufficient appropriate review evidence to enable the accountant to form a conclusion on matters that the accountant believes may cause the financial statements to be materially misstated. Such procedures may consist of the following:

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- Additional inquiry or analytical procedures, for example, being performed in greater detail or focused on the affected items (that is, amounts or disclosures concerning the affected accounts or transactions as reflected in the financial statements)
- Other types of procedures, for example, a substantive test of details or external confirmations

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A75 The following example illustrates the accountant's evaluation of the need to perform additional procedures and the accountant's response when the accountant believes additional procedures are necessary:

In the course of performing the inquiry and analytical procedures for the review, the accountant's analysis of accounts receivable shows a material amount of past due accounts receivable for which there is no allowance for bad or doubtful accounts. This causes the accountant to believe that the accounts receivable balance in the financial statements may be materially misstated. The accountant then inquires of management whether there are uncollectible accounts receivable that would need to be shown as being impaired. Depending on management's response, the accountant's evaluation of the response may do the following:

a. Enable the accountant to conclude that the accounts receivable balance is not likely to be materially misstated. In that case, no further procedures are required.

b. Enable the accountant to determine that the matter causes the financial statements to be materially misstated. No further procedures are required, and the accountant would form the conclusion that the financial statements as a whole are materially misstated.

c. Lead the accountant to continue to believe that the accounts receivable balance is likely to be materially misstated, while not providing sufficient appropriate review evidence for the accountant to determine that it is, in fact, misstated. In that case, the accountant is required to perform additional procedures, for example, requesting from management an analysis of amounts received for those accounts after the balance sheet date to identify uncollectible accounts receivable. The evaluation of the results of the additional procedures may enable the accountant to get to (*a*) or (*b*) preceding. If not, the accountant is required to do one of the following:

    i. Continue performing additional procedures until the accountant reaches either (*a*) or (*b*) preceding

    ii. If the accountant is not able to either conclude that the matter is not likely to cause the financial statements as a whole to be materially misstated or to determine that the matter does cause the financial statements as a whole to be materially misstated, then, in accordance with paragraph .48, withdraw from the engagement

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[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Evaluating Review Evidence Obtained From the Procedures Performed (Ref: par. .47)

[.A76–.A77] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

.A78 In some circumstances, the accountant may not have obtained the evidence that the accountant had expected to obtain through the design of primarily inquiry and analytical procedures and procedures addressing specific circumstances. In these circumstances, the accountant considers that the review evidence obtained from the procedures performed is not sufficient and appropriate to be able to form a conclusion on the financial statements. The accountant may

- extend the work performed or
- perform other procedures judged by the accountant to be necessary in the circumstances.

When neither of these is practicable in the circumstances, the accountant will not be able to obtain sufficient appropriate review evidence to be able to form a conclusion and is required by this section to determine the effect on the accountant's ability to complete the engagement. This situation may arise even though the accountant has not become aware of a matter or matters that cause the accountant to believe the financial statements may be materially misstated. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Subsequent Events and Subsequently Discovered Facts

Subsequent Events (Ref: par. .49)

.A79 Evidence or information that subsequent events that require adjustment of, or disclosure in, the financial statements may come to the accountant's attention in the following ways:

- During the performance of review procedures
- Subsequent to the date of the accountant's review report but prior to the release of the report

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

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Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date (Ref: par. .54–.57)

.A80 New information may come to the accountant's attention that, had such information been known to the accountant at the date of the accountant's review report, may have caused the accountant to revise the accountant's review report. When such information becomes known to the accountant after the report release date, the requirements in paragraphs .54–.57 apply, even if the accountant has withdrawn or been discharged. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A81 Because of the variety of conditions that might be encountered, the specific procedures or actions to be taken in a particular case may vary somewhat in light of the circumstances. For example, when determining whether the financial statements need revision, as required by paragraph .54*b*, the accountant may consider, in addition to the requirements of the applicable financial reporting framework, whether the accountant believes persons are currently using, or are likely to use, the financial statements and who would attach importance to the subsequently discovered facts. Consideration may be given, among other things, to the issuance of reviewed or audited financial statements for a subsequent period, the time elapsed since the financial statements were issued, the date of the accountant's review report released, and any legal implications. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A82 The steps taken by management to ensure that anyone in receipt of the reviewed financial statements is informed of the situation, including that the reviewed financial statements are not to be used, depend on the circumstances. Management's steps may include the following:

- Notify anyone who is known to be using, or who is likely to use, the financial statements and the accountant's review report that they are not to be used and that revised financial statements, together with a new accountant's review report, will be issued. This may be necessary when the issuance of revised financial statements and a new accountant's review report is not imminent.
- Issue, as soon as practicable, revised financial statements with appropriate disclosure of the matter.
- Issue the subsequent period's financial statements with appropriate disclosure of the matter. This may be appropriate when issuance of the subsequent period's reviewed or audited financial statements is imminent.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A83 If management made the reviewed financial statements available to third parties despite the accountant's notification not to do so, or if the accountant believes that management or those charged with governance have failed to take the necessary steps to prevent use of the accountant's review report on the previously issued reviewed financial

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statements despite the accountant's prior notification that the accountant will take action to seek to prevent such use, the accountant's course of action depends on the accountant's legal and ethical rights and obligations. Consequently, the accountant may consider it appropriate to seek legal advice. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A84 The actions that the accountant may take to seek to prevent use of the accountant's review report may depend on the degree of certainty of the accountant's knowledge that persons or entities exist who are currently using, or who will use, the reviewed financial statements, and who would attach importance to the information, and on the accountant's ability as a practical matter to communicate with them. In addition to seeking legal advice, the accountant may consider taking the following steps to the extent applicable:

- Notify management and those charged with governance that the accountant's review report is not to be used.
- Notify regulatory agencies having jurisdiction over the entity that the accountant's review report is not to be used, including a request that the agency take whatever steps it may deem appropriate to accomplish the necessary disclosure.
- Notify anyone known to the accountant to be using the financial statements that the accountant's review report is not to be used. In some instances, it will not be practicable for the accountant to give appropriate individual notification to stockholders or investors at large whose identities are unknown to the accountant; notification to a regulatory agency having jurisdiction over the entity will usually be the only practical means for the accountant to provide appropriate disclosure, together with a request that the agency take whatever steps it may deem appropriate to accomplish the necessary disclosure.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A85 Depending on the circumstances, if the accountant is able to determine that the financial statements need revision, the accountant's notification to anyone in receipt of the reviewed financial statements may, if permitted by law, regulation, and relevant ethical requirements,

- include a description of the nature of the matter and of its effect on the financial statements, avoiding comments concerning the conduct or motives of any person.
- describe the effect that the matter would have had on the accountant's review report if it had been known to the accountant at the date of the report and had not been reflected in the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A86 If the accountant is not able to determine whether the financial statements need revision, the notification to anyone in receipt of the reviewed financial statements may

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indicate that information became known to the accountant and that, if the information is true, the accountant believes that the accountant's review report is not to be used. The specific matter may not be permitted by law, regulation, and ethical requirements to be detailed in the notification. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Written Representations

Written Representations as Review Evidence (Ref: par. .58)

.A87 Written representations are an important source of review evidence. If management modifies or does not provide the requested written representations, it may alert the accountant to the possibility that one or more significant issues may exist. Further, a request for written, rather than oral, representations, in many cases, may prompt management to consider such matters more rigorously, thereby enhancing the quality of the representations. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Management From Whom Written Representations Are Requested (Ref: par. .59)

.A88 Written representations are requested from those with overall responsibility for financial and operating matters whom the accountant believes are responsible for, and knowledgeable about, directly or through others in the organization, the matters covered by the representations, including the preparation and fair presentation of the financial statements. Those individuals may vary depending on the governance structure of the entity; however, management (rather than those charged with governance) is often the responsible party. Written representations may, therefore, be requested from the entity's CEO and CFO or other equivalent persons in entities that do not use such titles. However, in some circumstances, other parties, such as those charged with governance, also are responsible for the preparation and fair presentation of the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A89 Due to its responsibility for the preparation and fair presentation of the financial statements and its responsibility for the conduct of the entity's business, management would be expected to have sufficient knowledge of the process followed by the entity in preparing the financial statements on which to base the written representations. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A90 In some cases, management may include in the written representations qualifying language to the effect that representations are made to the best of its knowledge and belief. It is reasonable for the accountant to accept such wording if, in the accountant's judgment, the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations. [Paragraph renumbered by

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the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Specific Written Representations (Ref: par. .60–.61)

.A91 Review evidence obtained during the review that management has acknowledged the responsibilities referred to in paragraph .60*a–b* is not sufficient without obtaining representation from management that it believes that it has fulfilled those responsibilities. This is because the accountant is not able to judge solely on other review evidence whether management has prepared and fairly presented the financial statements and provided information to the accountant on the basis of the agreed acknowledgment and understanding of its responsibilities. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A92 The written representations relating to fraud required by paragraph .60*g–h* are important for the accountant to obtain, regardless of the size of the entity, because of the nature of fraud and the difficulties encountered by accountants in detecting material misstatements in the financial statements resulting from fraud. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A93 Because the preparation of financial statements requires management to adjust the financial statements to correct material misstatements, the accountant is required to request that management provide a written representation about uncorrected misstatements. In some circumstances, management may not believe that certain uncorrected misstatements are misstatements. For that reason, management may want to add to their written representation words such as "We do not agree that items... and... constitute misstatements because [*description of reasons*]." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A94 Circumstances in which it may be appropriate to obtain written representations about related parties from those charged with governance in addition to management include the following:

- When they have approved specific related party transactions that
  - — materially affect the financial statements or
  - — involve management
- When they have made specific oral representations to the accountant on details of certain related party transactions

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- When they have financial or other interests in the related parties or the related party transactions

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A95 Because written representations are necessary review evidence, the accountant has not obtained limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the applicable financial reporting framework and the accountant's review report cannot be dated before the date of the written representations. Furthermore, because the accountant is concerned with events occurring up to the date of the accountant's review report that may require adjustment to, or disclosure in, the financial statements, the written representations are dated as of the date of the accountant's review report on the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A96 The written representations cover all periods referred to in the accountant's review report because management needs to reaffirm that the written representations it previously made with respect to the prior periods remain appropriate. The accountant and management may agree to a form of written representation that updates written representations relating to the prior periods by addressing whether there are any changes to such written representations and, if so, what they are. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A97 Situations may arise in which current management was not present during all periods referred to in the accountant's review report. Such persons may assert that they are not in a position to provide some or all of the written representations because they were not in place during the period. This fact, however, does not diminish such persons' responsibilities for the financial statements as a whole. Accordingly, the requirement for the accountant to request from them written representations that cover the whole of the relevant period(s) still applies. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A98 The accountant may request additional representations regarding matters specific to the entity's business or industry. In addition, the accountant is not precluded from obtaining representations regarding services performed in addition to the review engagement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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Form of Written Representations (Ref: par. .62)

.A99 Occasionally, circumstances may prevent management from signing the representation letter and returning it to the accountant on the date of the accountant's review report. In those circumstances, the accountant may accept management's oral confirmation, on or before the date of the accountant's review report, that management has reviewed the final representation letter and will sign the representation letter without exception as of the date of the accountant's review report. Possession of the signed management representation letter prior to releasing the accountant's review report is necessary because paragraph .62 requires that the representations be in the form of a written letter from management. Furthermore, when there are delays in releasing the report, a fact may become known to the accountant that, had it been known to the accountant at the date of the accountant's review report, might affect the accountant's review report and result in the need for updated representations. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A100 Exhibit B, "Illustrative Representation Letter," provides an illustrative example of a representation letter. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Forming the Accountant's Conclusion on the Financial Statements

Consideration of the Applicable Financial Reporting Framework in Relation to the Financial Statements (Ref: par. .64–.66)

.A101 The description of the applicable financial reporting framework in the financial statements is important because it advises users of the financial statements of the framework on which the financial statements are based. If the financial statements are special purpose financial statements, they may be prepared under a special purpose financial reporting framework that is available only to the engaging party and the accountant. Description of the special purpose financial reporting framework used is important because the special purpose financial statements may not be appropriate for any use other than the intended use identified. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A102 A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (for example, "the financial statements are in substantial compliance with accounting principles generally accepted in the United States") is not an adequate description of that framework because it may mislead users of the financial statements. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A103 In considering the qualitative aspects of the entity's accounting practices, the accountant may become aware of possible bias in management's judgments. The accountant may conclude that the cumulative effect of a lack of neutrality, together with the effect

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of apparent uncorrected misstatements, causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the accountant's evaluation of whether the financial statements as a whole may be materially misstated include the following:

- The selective correction of apparent misstatements brought to management's attention during the review (for example, correcting misstatements with the effect of increasing reported earnings but not correcting misstatements that have the effect of decreasing reported earnings)
- Possible management bias in the making of accounting estimates

[Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A104 Indicators of possible management bias do not necessarily mean there are misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the accountant's consideration of whether the financial statements as a whole may be materially misstated. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

Evaluation of Whether the Financial Statements Achieve Fair Presentation (Ref: par. .66b)

.A105 The accountant's professional judgment concerning the fairness of the presentation of the financial statements is applied within the context of the financial reporting framework. Without that framework, the accountant would have no consistent standard for evaluating the presentation of financial position, results of operations, and cash flows in financial statements. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

Financial Statements Are Materially Misstated (Ref: par. .71)

.A106 Unless prohibited by law or regulation, the accountant may determine it appropriate to withdraw from the engagement when the accountant has determined, based on the procedures performed and the review evidence obtained, that the financial statements are materially misstated. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

Reporting on the Financial Statements (Ref: par. .75)

.A107 A written report encompasses reports issued in hard copy format and those using an electronic medium. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A108 Financial statements that the accountant has reviewed may become unattached from the accountant's review report. To minimize the possibility that a user of the reviewed financial statements may infer, through the accountant's association with the

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reviewed financial statements, an unintended level of reliance on the reviewed financial statements, the accountant may consider including a reference on each page of the reviewed financial statements to the accountant's review report. An example of a reference to the accountant's review report included on each page of the reviewed financial statements is "See independent accountant's review report." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A109 When the accountant is unable to perform the inquiry, analytical procedures, and other review procedures the accountant considers necessary to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the applicable financial reporting framework, or management does not provide the accountant with a representation letter, the review will be incomplete. A review that is incomplete does not provide an adequate basis for issuing a review report. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

*Accountant's Review Report (Ref: **par. .76**)*

Title

.A110 An appropriate title would be "Independent Accountant's Review Report." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Addressee

.A111 The accountant's review report is normally addressed to those for whom the report is prepared. The report may be addressed to the entity whose financial statements are being reviewed or to those charged with governance. A report on financial statements of an unincorporated entity may be addressed as circumstances dictate (for example, to the partners, general partner, or proprietor). Occasionally, an accountant may be retained to review the financial statements of an entity that is not a client; in such a case, the report may be addressed to the entity and not to those charged with governance of the entity whose financial statements are being reviewed. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Introductory Paragraph

.A112 The introductory paragraph states, for example, that the accountant has "reviewed the accompanying financial statements of ABC Company, which comprise the balance sheet as of December 31, 20X1, and the related statements of income, changes in stockholders'

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equity and cash flows for the year then ended, and the related notes to the financial statements." If the financial statements include a separate statement of changes in stockholders' equity accounts or a separate statement of comprehensive income, paragraph .76*c*iii requires such statements to be identified in the introductory paragraph of the report as a statement to which the financial statements are comprised. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A113 When the accountant is aware that the reviewed financial statements will be included in a document that contains other information, such as an annual report, the accountant may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial statements are presented. This helps users identify the financial statements to which the accountant's review report relates. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A114 The identification of the title for each statement that the financial statements comprise may be achieved by referencing the table of contents. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Management's Responsibility

.A115 Management, and when appropriate, those charged with governance, accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including their fair presentation. Management also accepts responsibility for 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. The description of management's responsibilities in the accountant's review report includes reference to both responsibilities because it helps explain to users the premise on which a review is conducted. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Accountant's Responsibility

.A116 The accountant's review report states 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 in order to contrast it to management's responsibility for the financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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.A117 The reference to the standards used conveys to users of the accountant's review report that the review engagement has been conducted in accordance with established standards. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A118 The accountant is not permitted to represent compliance with SSARSs in the accountant's review report unless the accountant has complied with the relevant requirements within the body of SSARSs. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

Basis for Modification Paragraph When the Conclusion Is Modified

.A119 An adverse conclusion relating to a specific matter described in the basis for modification paragraph does not justify the omission of a description of other identified matters that would have otherwise required a modification of the accountant's conclusion. In instances in which other identified matters would have otherwise required a modification of the accountant's conclusion, the disclosure of such other matters of which the accountant is aware may be relevant to users of the financial statements. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

Signature of the Accountant

.A120 In some cases, law or regulation may allow for the use of electronic signatures in the accountant's review report. [Paragraph added, effective for reviews of financial statements for periods beginning on or after December 15, 2025, by SSARS No. 26.]

.A121 In certain situations, the accountant's review report may be required by law or regulation to include the personal name and signature of the accountant, in addition to the accountant's firm. [Paragraph added, effective for reviews of financial statements for periods beginning on or after December 15, 2025, by SSARS No. 26.]

Accountant's Address

.A122 The city and state where the accountant practices may be indicated on letterhead that contains the issuing office's city and state. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Date of the Accountant's Review Report

.A123 The date of the accountant's review report informs users of the accountant's review report that the accountant has considered the effect of events and transactions of which the accountant became aware and that occurred up to that date. The accountant's responsibility

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for events and transactions after the date of the accountant's review report is addressed in paragraphs .49–.57. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A124 Because the accountant's conclusion is provided on the financial statements, and the financial statements are the responsibility of management, the accountant is not in a position to conclude that the accountant has obtained limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework until evidence is obtained that all the statements that the financial statements comprise, including the related notes, have been prepared, and management has accepted responsibility for them. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A125 Exhibit C, "Illustrations of Accountant's Review Reports on Financial Statements," contains illustrations of accountant's review reports on financial statements incorporating the elements required by paragraph .76. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Accountant's Review Report on Financial Statements Prepared in Accordance With a Special Purpose Framework (Ref: par. .13, .77, and .80–.81)

.A126 There may be circumstances in which a regulatory or contractual basis of accounting is based on a general purpose framework established by a designated accounting standard setter, such as GAAP, or by law or regulation but does not comply with all the requirements of that framework. An example is a contract that requires financial statements to be prepared in accordance with most, but not all, of GAAP. If the financial statements purport to be prepared in accordance with a general purpose framework and such financial statements are materially misstated due to a departure from that framework, paragraphs .71–.72 apply. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A127 When it is acceptable in the circumstances of the engagement to report, in accordance with this section, on special purpose financial statements that purport to be prepared in accordance with a regulatory or contractual basis of accounting that is based on a general purpose framework, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial statements to imply that the special purpose framework includes all the requirements of, or is the same as, the

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financial reporting framework on which the special purpose framework is based. In the example of the contract in paragraph .A126, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract. The requirements in paragraphs .80–.81 are designed to avoid misunderstandings about compliance with the general purpose framework. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A128 The description of the special purpose framework may be included in the financial statement titles, in the notes to the financial statements, or otherwise on the face of the financial statements. Although terms such as *balance sheet*, *statement of financial position*, *statement of income*, *statement of operations*, and *statement of cash flows* or similar unmodified titles, are generally understood to be applicable only to financial statements that are intended to present financial position, results of operations, or cash flows in accordance with GAAP, such titles, with appropriate modification, may be used in connection with financial statements prepared in accordance with a special purpose framework. Suitable financial statement titles for financial statements prepared in accordance with a special purpose framework include, but are not limited to

- a modified cash basis financial statement that might be titled
  - — "Income Statement—Modified Cash Basis," or
  - — "Statement of Cash Receipts and Disbursements."
- financial statements prepared in accordance with the tax basis of accounting that might be titled
  - — "Balance Sheet—Tax Basis,"
  - — "Statement of Assets, Liabilities, and Equity—Tax Basis,"
  - — "Statement of Operations—Tax Basis," or
  - — "Statement of Revenue and Expenses—Tax Basis."
- a financial statement prepared in accordance with a regulatory basis of accounting that might be titled "Statement of Income—Regulatory Basis."

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A129 The description of how the special purpose framework differs from GAAP ordinarily includes only the material differences between GAAP and the special purpose framework. For example, if several items are accounted for differently in accordance with the special purpose framework than they would be in accordance with GAAP, but only the differences in how depreciation is calculated are material, a brief description of the depreciation differences is all that would be necessary, and the remaining differences need not be described. The differences need not be quantified. [Paragraph subsequently renumbered

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by the issuance of SSARS No. 23, October 2016. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A130 Financial statements prepared when applying a special purpose framework are not considered appropriate in form unless the financial statements include informative disclosures similar to those required by GAAP if the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

[.A131] [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A132 Special purpose financial statements may be used for purposes other than those for which they were intended. To avoid misunderstandings, paragraph .80 requires the accountant to include an emphasis-of-matter paragraph in the accountant's review report that alerts users of the accountant's review report that the financial statements are prepared in accordance with a special purpose framework and that the basis of accounting is a basis of accounting other than GAAP. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A133 Financial statements prepared in accordance with a special purpose framework may be the only financial statements an entity prepares. Such special purpose financial statements may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements, the financial statements are still considered to be special purpose financial statements for purposes of SSARSs. The requirement in paragraph .80 is designed to avoid misunderstandings about the framework used to prepare the financial statements. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A134 If the special purpose financial statements are prepared in accordance with a contractual basis of accounting, paragraph .81 requires the accountant to include an other-matter paragraph in the accountant's review report, under an appropriate heading, that restricts the use of the accountant's review report to specified parties pursuant to paragraphs .103–.104. In the case of special purpose financial statements prepared in accordance with a basis of accounting other than a contractual basis, the accountant may consider it necessary in the circumstances of the engagement to include an alert that restricts the use of the accountant's review report but is not required to do so. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on

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or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Comparative Financial Statements (Ref: par. .82)

.A135 The level of information included for the prior periods in comparative financial statements is comparable with that of financial statements of the current period. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A136 If one firm of accountants merges with another firm, and the new firm becomes the accountant of a client of one of the two former firms, the new firm may accept responsibility and issue a review report on the financial statements for the prior period(s) as well as for those of the current period. The new firm may indicate in the accountant's review report or as part of the signature that a merger took place and may name the firm with whom it was merged. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Updating the Report (Ref: par. .83)

.A137 An updated report is issued in conjunction with the continuing accountant's report on the current period financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Changed Reference to a Departure From the Applicable Financial Reporting Framework (Ref: par. .86)

.A138 A changed reference includes the removal of a prior reference or the inclusion of a new reference. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

[.A139–.A142] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020. Paragraphs subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report (Ref: par. .89 and .91)

.A143 The accountant is required to include an emphasis-of-matter or other-matter paragraph in the accountant's review report relating to the following matters:

- In accordance with paragraph .55*c* with respect to reporting when management revises financial statements for a subsequently discovered fact that became known to the accountant after the report release date and the accountant's review report on the revised financial statements differs from the accountant's review report on the original financial statements
- In accordance with paragraphs .80–.81 with respect to financial statements prepared in accordance with a special purpose framework
- In accordance with paragraph .86 with respect to a changed reference to a departure from the applicable financial reporting framework when reporting on comparative financial statements
- In accordance with paragraph .87 with respect to reporting on comparative financial statements when the prior period is audited
- In accordance with paragraph .109 when, after considering conditions or events and management's plans, the accountant concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains
- In accordance with paragraph .123 with respect to supplementary information that accompanies reviewed financial statements and the accountant's review report thereon
- In accordance with paragraph .124 with respect to required supplementary information

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Emphasis-of-Matter Paragraphs in the Accountant's Review Report (Ref: par. .89–.90)

.A144 In addition to the required emphasis-of-matter paragraphs listed in paragraph .A143, the following are examples of circumstances when the accountant may consider it necessary to include an emphasis-of-matter paragraph:

- An uncertainty relating to the future outcome of unusually important litigation or regulatory action
- A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position

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- Significant transactions with related parties
- Unusually important subsequent events

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A145 Paragraph .89 requires that an emphasis-of-matter paragraph refer only to matters appropriately presented or disclosed in the financial statements. To include information in an emphasis-of-matter paragraph about a matter beyond what is presented or disclosed in the financial statements may raise questions about the appropriateness of such presentation or disclosure. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A146 Another heading may be considered appropriate if it adequately describes the nature of the matter being disclosed or communicated. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A147 The accountant may add further context to the heading "Emphasis of Matter" (for example, "Emphasis of Matter — Subsequent Event") to further describe the nature of the matter addressed by the emphasis-of-matter paragraph. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A148 The inclusion of an emphasis-of-matter paragraph in the accountant's review report does not affect the accountant's conclusion. An emphasis-of-matter paragraph is not a substitute for the following:

- A modified conclusion in accordance with paragraphs .69–.74 when required by the circumstances of a specific review engagement
- Disclosures in the financial statements that the applicable financial reporting framework requires management to make
- Reporting in accordance with paragraphs .109–.112 when, after considering identified conditions or events and management's plans, the accountant concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, in which case the accountant is required to include a separate section in the accountant's report

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph

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subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Other-Matter Paragraphs in the Accountant's Review Report (Ref: par. .91)

.A149 If not properly presented or disclosed in the financial statements, a matter cannot be included in an emphasis-of-matter paragraph. However, if the matter is relevant to users' understanding of the review, the accountant's responsibilities, or the accountant's review report, the matter can be disclosed in an other-matter paragraph. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A150 An entity may prepare one set of financial statements in accordance with a general purpose framework (for example, accounting principles generally accepted in the United States of America) and another set of financial statements in accordance with another general purpose framework (for example, International Financial Reporting Standards promulgated by the International Accounting Standards Board) and may engage the accountant to review both sets of financial statements. If the accountant has determined that the frameworks are acceptable in the respective circumstances, the accountant may include an other-matter paragraph in the accountant's review report referring to the fact that another set of financial statements has been prepared by the same entity in accordance with another general purpose framework and that the accountant has issued a review report on those financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A151 The content of an other-matter paragraph reflects clearly that such other matter is not required to be presented and disclosed in the financial statements. An other-matter paragraph does not include information that the accountant is prohibited from providing by law, regulation, or other professional standards (for example, ethical standards relating to the confidentiality of information). An other-matter paragraph does not include information that is required to be provided by management. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Communication With Management (Ref: par. .93)

.A152 The accountant's communication with management, as described in paragraph .93, enables management to be made aware of the nature of any specific matters that the accountant intends to highlight in the accountant's review report and provides them with an opportunity to obtain further clarification from the accountant, when necessary. When the inclusion of an other-matter paragraph on a particular matter in the accountant's review report recurs on each successive engagement, the accountant may determine that it is

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unnecessary to repeat the communication on each engagement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A153 In addition to management, the accountant may also consider it appropriate to communicate with those charged with governance regarding the expectation of including an other-matter paragraph in the accountant's review report and the proposed wording of this paragraph. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Correction of a Material Misstatement in Previously Issued Financial Statements (Ref: par. .94–.95)

.A154 The requirement for the accountant to include an emphasis-of-matter paragraph in the accountant's review report when there are adjustments to correct a material misstatement in previously issued financial statements applies when comparative or single-year financial statements are presented. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A155 A change from an accounting principle that is not in accordance with the applicable financial reporting framework to one that is in accordance with the applicable financial reporting framework is a correction of a misstatement. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A156 Paragraphs .54–.55 address the accountant's responsibilities when adjustments have been made to correct a material misstatement in previously issued financial statements. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A157 The following is an example of an emphasis-of-matter paragraph when there has been a correction of a material misstatement in previously issued financial statements:

> *Emphasis of Matter*
>
> As discussed in Note X to the financial statements, the 20X2 financial statements have been restated to correct a misstatement. Our conclusion is not modified with respect to this matter.

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[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

Other Reporting Responsibilities (Ref: par. .97)

.A158 These other reporting responsibilities are addressed in a separate section of the accountant's report, to clearly distinguish them from the accountant's responsibility in accordance with this section to report on the financial statements. Where relevant, this section may contain subheadings that describe the content of the other reporting responsibilities paragraph or paragraphs. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

[.A159–.A164] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020. Paragraphs subsequently renumbered by the issuance of SSARS No. 26, June 2022.][6]

Alert That Restricts the Use of the Accountant's Review Report (Ref: par. .103)

.A165 The need for an alert that restricts the use of the accountant's review report arises from the potential for the accountant's review report to be misunderstood if taken out of the context in which the accountant's review report is intended to be used. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A166 Accountant's review reports on financial statements prepared in accordance with a general purpose framework ordinarily do not include an alert that restricts their use. A general purpose framework is a financial reporting framework designed to meet the common financial information needs of a wide range of users. However, nothing in SSARSs precludes an accountant from including an alert in any accountant's review report. For example, financial statements prepared specifically for use in an acquisition may be prepared in accordance with a general purpose framework because the parties involved in the transaction have agreed that such general purpose financial statements are appropriate for their purposes. Nevertheless, when the terms of the engagement to review those financial statements require the accountant to supply the accountant's review report only to specified parties, the accountant may consider it necessary in the circumstances to include an other-matter paragraph in the accountant's review report that restricts the use of the accountant's review report. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

[6][Footnote renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

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Distribution of the Accountant's Review Report (Ref: par. .103)

.A167 An accountant is not responsible for controlling, and cannot control, distribution of the accountant's review report after its release. The alert that restricts the use of the accountant's review report is designed to avoid misunderstandings related to the use of the accountant's review report, particularly if the accountant's review report is taken out of the context in which the accountant's review report is intended to be used. An accountant may consider informing the entity or other specified parties that the accountant's review report is not intended for distribution to parties other than those specified in the accountant's review report. The accountant may, in connection with establishing the terms of the engagement, reach an understanding with the entity that the intended use of the accountant's review report will be restricted and may obtain the entity's agreement that the entity and specified parties will not distribute such accountant's review report to parties other than those identified therein. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Illustrative Alert Language (Ref: par. .104)

.A168 The alert that restricts the use of the accountant's review report may list the specified parties or refer to the specified parties listed elsewhere in the accountant's review report. The following illustrates language that includes the elements required by paragraph .104:

> This report is intended solely for the information and use of [*list or refer to the specified parties*] and is not intended to be, and should not be, used by anyone other than these specified parties.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Adding Other Specified Parties (Ref: par. .105)

.A169 When the accountant is requested to add other parties as specified parties, the accountant may agree to add other parties as specified parties based on the accountant's consideration of factors such as the identity of the other parties and the intended use of the accountant's review report. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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The Accountant's Consideration of an Entity's Ability to Continue as a Going Concern

[.A170–.A175] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020. Paragraphs subsequently renumbered by the issuance of SSARS No. 26, June 2022.][7-8]

Implications for the Accountant's Review Report When Substantial Doubt Exists About the Entity's Ability to Continue as a Going Concern (Ref: .109–.110 and .112)

[.A176] [Paragraph renumbered and deleted by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A177 The identification of substantial doubt is a matter that is important to users' understanding of the financial statements. The use of a separate section with a heading that includes reference to the fact that substantial doubt exists about the entity's ability to continue as going concern alerts users to this circumstance. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A178 The following are illustrations of the statements that are required to be included in the accountant's review report on the financial statements. The following illustrations provide examples in which FASB ASC is the applicable financial reporting framework. If an applicable financial reporting framework other than FASB ASC is used, the wording in the illustrations may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

[7-8][Footnotes renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

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Illustration 1 — An Accountant's Review Report Containing an Unmodified Conclusion and Including a Going Concern Section When Management Is Required Under the Applicable Financial Reporting Framework to Include a Statement in the Notes to the Financial Statements That Conditions or Events Have Been Identified and Substantial Doubt Exists and Disclosure in The Financial Statements Is Adequate

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note X to the financial statements, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note X. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

Illustration 2 — An Accountant's Review Report Containing an Unmodified Conclusion and Including an Emphasis-of-Matter Paragraph Because Substantial Doubt Has Been Alleviated

Emphasis of Matter

As discussed in Note X to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note X. Our conclusion is not modified with respect to this matter.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

[.A179] [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A180 When FASB ASC or the GASB statements are the applicable financial reporting framework used in the preparation of the financial statements, the accountant's conclusion

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about the entity's ability to continue as a going concern is expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern." In other financial reporting frameworks, a similar term or phrase may be appropriate depending on the requirements of the applicable financial reporting framework. If the applicable financial reporting framework does not include comparable terms, then wording that includes the terms *substantial doubt* and *going concern* may be appropriate. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A181 If conditions or events, considered in the aggregate, have been identified that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time but, based on the review evidence obtained, the accountant concludes that substantial doubt has been alleviated by management's plans and adequate disclosure has been made in the financial statements, the accountant may include an emphasis-of-matter paragraph in accordance with paragraphs .89–.90, making reference to management's disclosures related to the conditions and events and management's plans related to those conditions or events. In this circumstance, the use of an emphasis-of-matter paragraph is to draw users' attention to the disclosures of the conditions and events and management's plans. It is distinguished from the situation in which the accountant concludes, after considering identified conditions or events and management's plans, that substantial doubt about the entity's ability to continue as a going concern remains, in which case the accountant is required by paragraph .109 to include a separate "Going Concern" section in the accountant's review report.

[Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A182 As indicated in paragraph .71, in circumstances in which conditions and events have been identified and the accountant concludes that, based on the review evidence obtained, the disclosures are materially misstated, the accountant is required to modify the accountant's review report. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

.A183 Examples of conditional language that are inappropriate to use in the "Going Concern" section include the following:

- If the Company continues to suffer recurring losses from operations and continues to have a net capital deficiency, there may be substantial doubt about its ability to continue as a going concern.
- The Company has been unable to renegotiate its expiring credit agreements. Unless the entity is able to obtain financial support, there is substantial doubt about its ability to continue as a going concern.

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[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A184 In certain circumstances, the accountant may believe it necessary to request that management perform or extend its evaluation to meet the period of time required by the applicable financial reporting framework. If management is unwilling to do so, a qualified or adverse conclusion in the accountant's review report may be appropriate. For example, management may be unwilling to extend its evaluation because it believes it has satisfied the requirements to conclude whether substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time when the applicable financial reporting framework requires management to make this evaluation. If, in the accountant's judgment, management's conclusion is not adequately supported, the accountant may conclude that a qualified or adverse conclusion for a departure from the applicable financial reporting framework is appropriate in the circumstances. Paragraphs .69–.74 provide guidance related to the modification of the accountant's conclusion. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph renumbered by the issuance of SSARS No. 26, June 2022.]

[.A185–.A192] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

Reference to the Work of Other Accountants in an Accountant's Review Report (Ref: par. .122)

.A193 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 decision is solely at the discretion and judgment of the accountant of the reporting entity. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A194 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. [Paragraph renumbered by the issuance of SSARS No. 23, October

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2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A195 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.[9] [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Determining Whether the Other Accountants Are Familiar with SSARSs or Auditing Standards Generally Accepted in the United States of America, as Applicable (Ref: par. .124b)

.A196 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 generally accepted auditing standards (GAAS) is sufficient to make the determination required by paragraph .124*b*. 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, 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 .124*b*, 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), *Engagements to Review Historical Financial Statements*, 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 likely to meet the relevant requirements of SSARSs and GAAS, respectively. 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

[9]Illustration 6, "An Accountant's Review Report on Comparative Consolidated Financial Statements in Which the Accountant Makes Reference to the Work of Other Accountants Who Were Engaged to Review the Financial Statements of a Significant Component," of exhibit C. [Footnote renumbered by the issuance of SSARS No. 24, May 2018. Footnote subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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.A197 When the other accountants are not subject to the AICPA Code of Professional Conduct, compliance by the other accountants with the ethics and independence requirements set forth in the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* is sufficient to fulfill the other accountants' ethical responsibilities. [Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022. Revised, October 2023, to reflect the updated title of the IESBA Code of Ethics for Professional Accountants.]

Determining Whether to Make Reference When the Financial Reporting Framework Is Not the Same (Ref: par. .125b)

.A198 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 the financial reporting frameworks. Financial statements prepared and presented in accordance with International Financial Reporting Standards (IFRS) and *International Financial Reporting Standard for Small- and Medium-Sized Entities*, as issued by the International Accounting Standards Board, are generally viewed as similar to financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In most cases, special purpose frameworks are not similar to GAAP. [Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Supplementary Information That Accompanies Reviewed Financial Statements (Ref: par. .126–.128)

[.A199] [Paragraph renumbered and deleted by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A200 The following is an example of how an accountant may word an other-matter paragraph addressing supplementary information when the supplementary information has been subjected to the review procedures applied in the accountant's review of the basic financial statements:

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Other Matter

The accompanying [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

[Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A201 The following is an example of how an accountant may word an other-matter paragraph addressing supplementary information when the supplementary information has not been subjected to the review procedures applied in the review of the basic financial statements:

Other Matter

The accompanying [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

[Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A202 Supplementary information may become unattached from the accountant's review report. To minimize the possibility that a user of the supplementary information may infer, through the accountant's association with such information, an unintended level of reliance on it, the accountant may consider including a reference to the accountant's review report on each page of the supplementary information. An example of a reference to the accountant's review report included on each page of the supplementary information is "See independent accountant's review report." [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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Required Supplementary Information (Ref: par. .129–.130)

.A203 Examples of required supplementary information that may accompany reviewed financial statements include the following:

- With respect to common interest realty associations, estimates of current or future costs of major repairs and replacements of common property that will be required in the future as required by FASB *Accounting Standards Codification* 972-235-50-3
- Management's discussion and analysis and budgetary comparison statements as required by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A204 *Prescribed guidelines* are the authoritative guidelines established by the designated accounting standard-setter for the methods of measurement and presentation of the required supplementary information. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A205 Because the required supplementary information accompanies the basic financial statements, the accountant's review report on the financial statements includes a discussion of the responsibility taken by the accountant on that information. However, if the required supplementary information is omitted by the entity, the accountant does not have a responsibility to present that information. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Change in Engagement From Audit to Review (Ref: par. .132)

.A206 A request to change the engagement may result from a change in circumstances affecting the entity's requirement for an audit engagement; a misunderstanding regarding the nature of an audit or review engagement; or a restriction on the scope of the audit engagement, whether imposed by management or caused by circumstances. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A207 A change in circumstances that affects the entity's requirement for an audit engagement or a misunderstanding concerning the nature of an audit or review engagement

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would ordinarily be considered a reasonable basis for requesting a change in the engagement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A208 The implications of a restriction on the scope of the audit engagement include the possibility that information affected by the scope restriction may be incorrect, incomplete, or otherwise unsatisfactory. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

Review Documentation (Ref: par. .137)

.A209 Review documentation may be recorded on paper or on electronic or other media. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A210 The accountant need not include in review documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A211 The accountant is not precluded from supporting the review report by other means in addition to the review documentation. Such other means might include written documentation contained in other engagement files (for example, compilation or nonattest services) or quality control files (for example, consultation files) and, in limited situations, oral explanations. On their own, oral explanations by the accountant do not represent adequate support for the work the accountant performed or conclusions reached, but they may be used to explain or clarify information contained in the review documentation. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A212 In the case of a review in which the engagement partner performs all the review work, the engagement partner is still required to comply with the overriding requirement in paragraph .137 to prepare review documentation that can be understood by an experienced accountant because the review documentation may be subject to review by external parties. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018.

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Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

.A213 Findings or issues that, in the accountant's professional judgment, are significant may include the results of review procedures that indicate that the financial statements could be materially misstated, including actions taken to address such findings and the basis for the final conclusions. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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Appendix A — Analytical Procedures the Accountant May Consider Performing When Conducting a Review of Financial Statements (Ref: par. .A29)

.A214 Analytical procedures are designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement of the financial statements. Examples of analytical procedures that an accountant may consider performing in a review of financial statements include the following:

- Comparing current financial statements with the financial statements of the prior period.
- Comparing current financial statements with anticipated results, such as budgets or forecasts (for example, comparing tax balances and the relationship between the provision for income taxes and pretax income in the current financial statements with corresponding information in [*a*] budgets, using expected rates, and [*b*] financial statements for prior periods). Caution is necessary when comparing and evaluating current financial statements with budgets, forecasts, or other anticipated results because of the inherent lack of precision in estimating the future and the susceptibility of such information to manipulation and misstatement by management to reflect desired results.
- Comparing current financial statements with relevant nonfinancial information.
- Comparing ratios and indicators for the current period with expectations based on prior periods (for example, performing gross profit analysis by product line and operating segment using elements of the current financial statements and comparing the results with corresponding information for prior periods). Examples of key ratios and indicators are the current ratio, receivable turnover or days sales outstanding, inventory turnover, depreciation to average fixed assets, debt to equity, gross profit percentage, net income percentage, and plant operating rates.
- Comparing ratios and indicators for the current period with those of entities in the same industry.
- Comparing relationships among elements in the current financial statements with corresponding relationships in the financial statements of prior periods (for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables).
- Comparing disaggregated data. The following are examples of how data may be disaggregated:
  - — By period (for example, financial statement items disaggregated into quarterly, monthly, or weekly amounts)
  - — By product line or operating segment
  - — By location (for example, subsidiary, division, or branch)

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Analytical procedures may include such statistical techniques as trend analysis or regression analysis and may be performed manually or with the use of computer-assisted techniques. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

[.A215] [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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Exhibit A — Illustrative Engagement Letters (Ref: par. .A29)

.A216

Illustration 1 — An Engagement Letter for a Review Engagement With Respect to Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Illustration 2 — An Engagement Letter for a Review Engagement With Respect to Financial Statements Prepared in Accordance With the Tax Basis of Accounting

The illustrative engagement letters in this exhibit are intended as guidance that may be used in conjunction with the considerations outlined in Statements on Standards for Accounting and Review Services. The engagement letter will vary according to individual requirements and circumstances, and the illustrations are drafted to refer to a review engagement for a single reporting period. The accountant may seek legal advice about whether a proposed engagement letter is suitable.

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Illustration 1 — An Engagement Letter for a Review Engagement With Respect to Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Circumstances include the following:

- The accountant will prepare, as a nonattest service, the financial statements, including related notes, subject to the review engagement.
- The financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America.

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements and perform a review engagement with respect to those financial statements.[3] We are pleased to confirm our acceptance and understanding of this engagement by means of this letter.

Our Responsibilities

The objective of our engagement is to

a. prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you and

b. obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA Code of Professional Conduct, including ethical principles of integrity, objectivity, professional competence, and due care.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of company management. A review engagement is substantially

[1]The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the review engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A25.

[2]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3]The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

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less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit engagement. Accordingly, we will not express an opinion regarding the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by error or fraud, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

a. The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements

b. The preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America

c. 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

d. The prevention and detection of fraud

e. To ensure that the entity complies with the laws and regulations applicable to its activities

f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement

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g. To provide us with

   i. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters

   ii. additional information that we may request from you for the purpose of the review engagement

   iii. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries

h. To provide us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review

You are also responsible for all management decisions and responsibilities, and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of services performed and accepting responsibility for such services.

Our Report

[*Insert appropriate reference to the expected form and content of the accountant's review report. Example follows.*]

We will issue a written report upon completion of our review of ABC Company's financial statements. Our report will be addressed to the board of directors of ABC Company. We cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary for us to report known departures from accounting principles generally accepted in the United States of America, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

You agree to include our accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by us and, prior to inclusion of the report, to ask our permission to do so.

Other Relevant Information

Our fees for these services. . .

[*The accountant may include language, such as the following, regarding limitation of or other arrangements regarding the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the financial statements described herein except for our own intentional wrongdoing.]

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Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a review of those same financial statements and our respective responsibilities.

Sincerely yours,

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

[*Signed*]

[*Name and Title*]

[*Date*]

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Illustration 2 — An Engagement Letter for a Review Engagement With Respect to Financial Statements Prepared in Accordance With the Tax Basis of Accounting

Circumstances include the following:

- The accountant will prepare, as a nonattest service, the financial statements, including related notes, subject to the review engagement.
- The financial statements will be prepared in accordance with the tax basis of accounting.

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we prepare the financial statements of ABC Company, which comprise the statement of assets, liabilities, and equity—tax basis as of December 31, 20XX, and the related statements of operations and retained earnings—tax basis, and cash flows—tax basis for the year then ended, and the related notes to the financial statements and to perform a review engagement with respect to those financial statements.[3] We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

Our Responsibilities

The objective of our engagement is to

a. prepare financial statements in accordance with the tax basis of accounting based on information provided by you and

b. obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the tax basis of accounting.

We will conduct our review engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA Code of Professional Conduct, including ethical principles of integrity, objectivity, professional competence, and due care.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of company management. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an

[1]The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the review engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A25.

[2]Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

[3]The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

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opinion regarding the financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit engagement. Accordingly, we will not express an opinion regarding the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by error or fraud, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with the tax basis of accounting and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the tax basis of accounting. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

a. The selection of the tax basis of accounting as the financial reporting framework to be applied in the preparation of the financial statements

b. The preparation and fair presentation of the financial statements in accordance with the tax basis of accounting and the inclusion of all informative disclosures that are appropriate for the tax basis of accounting. This includes

    i. a description of the tax basis of accounting, including a summary of significant accounting policies, and how the tax basis of accounting differs from accounting principles generally accepted in the United States of America, the effects of which need not be qualified

    ii. informative disclosures similar to those required by accounting principles generally accepted in the United States of America

c. 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

d. The prevention and detection of fraud

e. To ensure that the entity complies with the laws and regulations applicable to its activities

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f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement

g. To provide us with

   i. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters

   ii. additional information that we may request from you for the purpose of the review engagement

   iii. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries

h. To provide us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report

[*Insert appropriate reference to the expected form and content of the accountant's review report. Example follows.*]

We will issue a written report upon completion of our review of ABC Company's financial statements. Our report will be addressed to the board of directors of ABC Company. We cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary of us to report known departures from the tax basis of accounting, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

Our report will state that the financial statements are prepared in accordance with tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion will not be modified with respect to this matter.

You agree to include our accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by us and, prior to inclusion of the report, to ask our permission to do so.

Other Relevant Information

Our fees for these services. . .

[*The accountant may include language, such as the following, regarding limitation of or other arrangements regarding the liability of the accountant or the entity, such as indemnification*

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to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the financial statements described herein except for our own intentional wrongdoing.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a review with respect to those same financial statements and our respective responsibilities.

Sincerely yours,

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

[*Signed*]

[*Name and Title*]

[*Date*]

[Revised, February 2015, to include additional required engagement letter elements. Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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Exhibit B — Illustrative Representation Letter (Ref: par. .A97)

.A217

The following illustrative letter is intended as an illustration that may be used to comply with the requirements of section 90. The representation letter will vary according to individual requirements and circumstances.

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It is assumed in this illustration that the applicable financial reporting framework is accounting principles generally accepted in the United States of America, that no conditions or events exist that might be indicative of the entity's inability to continue as a going concern, and that no exceptions exist to the requested written representations. If circumstances differ from these assumptions, the representations would need to be modified to reflect the actual circumstances.

(Entity Letterhead)

(To Accountant)

(Date)

This representation letter is provided in connection with your review of the financial statements of ABC 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, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We represent that [*to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves*] [*as of* (*date of accountant's review report*)]:

Financial Statements

- We acknowledge our responsibility and have fulfilled our responsibilities for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- We acknowledge our responsibility and have fulfilled our responsibilities for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

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- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- Guarantees, whether written or oral, under which the company is contingently liable have been properly accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB *Accounting Standards Codification* (ASC) 275, *Risks and Uncertainties*, have been properly accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America. [Significant estimates *are estimates at the balance sheet date that could change materially within the next year.* Concentrations *refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.*]
- All events occurring subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been properly accounted for.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

[*Any other matters that the accountant may consider appropriate.*]

Information Provided

- We have responded fully and truthfully to all inquiries made to us by you during your review.
- We have provided you with
  - — access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - — minutes of meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared;
  - — additional information that you have requested from us for the purpose of the review; and
  - — unrestricted access to persons within the entity from whom you determined it necessary to obtain review evidence.

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- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have [*no knowledge of any*] [*disclosed to you all information that we are aware of regarding*] fraud or suspected fraud that affects the entity and involves
  - — management,
  - — employees who have significant roles in internal control, or
  - — others when the fraud could have a material effect on the financial statements.
- We have [*no knowledge of any*] [*disclosed to you all information that we are aware of regarding*] allegations of fraud, or suspected fraud, affecting the entity's financial statements as a whole communicated by employees, former employees, analysts, regulators, or others.
- We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws or regulations whose effects should be considered when preparing financial statements.
- We [*have disclosed to you all known actual or possible*] [*are not aware of any pending or threatened*] litigation and claims whose effects should be considered when preparing the financial statements [*and we have not consulted legal counsel concerning litigation or claims*]
- We have disclosed to you any other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- We have disclosed to you all information relevant to the use of the going concern assumption in the financial statements.
- No material losses exist (such as from obsolete inventory or purchase or sale commitments) that have not been properly accrued or disclosed in the financial statements.
- The company has satisfactory title to all owned assets, and no liens or encumbrances on such assets exist, nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.
- We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- We are in agreement with the adjusting journal entries that you have recommended, and they have been posted to the company's accounts (if applicable).

[*Any other matters that the accountant may consider necessary*.]

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[*Name of Chief Executive Officer and Title*]

[*Name of Chief Financial Officer and Title*]

Representation letters ordinarily are tailored to include additional appropriate representations from management relating to matters specific to the entity's business or industry.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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Exhibit C — Illustrations of Accountant's Review Reports on Financial Statements (Ref: par. .A125 and .A193)

.A218

The illustrative accountant's review reports in this exhibit are intended as illustrations that may be used to comply with the requirements of section 90. The accountant's review report will vary according to individual requirements and circumstances. For example, while the accountant's review report is issued by the firm as opposed to the engagement partner, if the accountant is a sole practitioner with no staff, the accountant may determine that it is appropriate to use terms such as *I* or *my* instead of *we* or *our*, respectively.

- **Illustration 1** — An Accountant's Review Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When a Review Has Been Performed for Both Periods
- **Illustration 2** — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America
- **Illustration 3** — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With the Tax Basis of Accounting
- **Illustration 4** — An Accountant's Review Report on Interim Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America
- **Illustration 5** — An Accountant's Review Report on Comparative Financial Statements Containing a Qualified Conclusion Due to a Departure From Accounting Principles Generally Accepted in the United States of America
- **Illustration 6** — An Accountant's Review Report on Comparative Consolidated Financial Statements in Which the Accountant Makes Reference to the Work of Other Accountants Who Were Engaged to Review the Financial Statements of a Significant Component
- **Illustration 7** — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America Containing an Adverse Conclusion Due to a Misstatement of the Financial Statements That Is Both Material and Pervasive to the Financial Statements

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Illustration 1 — An Accountant's Review Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When a Review Has Been Performed for Both Periods

Circumstances include the following:

- Review of a complete set of comparative financial statements.
- The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.
- The accountant has concluded that an unmodified (that is "clean") conclusion is appropriate based on the review evidence obtained.

Independent Accountant's Review Report

[*Appropriate Addressee*]

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, 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 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

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. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

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Accountant's Conclusion

Based on our reviews, 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 accountant's firm*]

[*City and state where the accountant practices*]

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

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Illustration 2 — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Circumstances include the following:

- Review of a complete set of financial statements (single year).
- The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.
- The accountant has concluded that an unmodified (that is "clean") conclusion is appropriate based on the review evidence obtained.

Independent Accountant's Review Report

[*Appropriate Addressee*]

We have reviewed the accompanying financial statements of XYZ Company, which comprise the balance sheet as of December 31, 20XX, and the related statements of income, changes in stockholders' equity, and cash flows for the year 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, 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 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

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Based on our review, 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 accountant's firm*]

[*City and state where the accountant practices*]

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

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Illustration 3 — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With the Tax Basis of Accounting

Circumstances include the following:

- Review of a complete set of financial statements (single year).
- The financial statements are of a partnership and prepared in accordance with the basis of accounting the partnership uses for income tax purposes (that is, a special purpose framework).
- Management has a choice of financial reporting frameworks.
- The accountant has concluded that an unmodified (that is "clean") conclusion is appropriate based on the review evidence obtained.

Independent Accountant's Review Report

[*Appropriate Addressee*]

We have reviewed the accompanying financial statements of XYZ Partnership, which comprise the statement of assets, liabilities, and partners' capital—tax basis as of December 31, 20XX, and the related statements of revenue and expenses—tax basis, and partners' capital—tax basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's (partners') financial data and making inquiries of partnership management (partners). 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, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management (Partners) is (are) responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the partnership uses for income tax purposes; this includes determining that the basis of accounting the partnership uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management (Partners) is (are) also responsible for 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

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance

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with the basis of accounting the partnership uses for income tax purposes. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of XYZ Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, 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 the basis of accounting the partnership uses for income tax purposes.

Basis of Accounting

We draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the partnership uses for income tax purposes, 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 accountant's firm*]

[*City and state where the accountant practices*]

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

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Illustration 4 — An Accountant's Review Report on Interim Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Circumstances include the following:

- Review of a complete set of interim financial statements for the period ended September 30, 20XX, and for the three and nine months then ended.
- The interim financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.
- The accountant appropriately performs the engagement in accordance with SSARSs (that is, AU-C section 930, *Interim Financial Information*, is not applicable).
- The accountant has concluded that an unmodified (that is "clean") conclusion is appropriate based on the review evidence obtained.

Independent Accountant's Review Report

[*Appropriate Addressee*]

We have reviewed the accompanying interim financial statements of XYZ Company, which comprise the balance sheet as of September 30, 20XX, and the related statements of income, changes in stockholders' equity, and cash flows for the three and nine months then ended, and the related notes to the interim 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 interim financial statements as a whole. Accordingly, 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 interim 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 interim financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

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. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the interim financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

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

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Illustration 5 — An Accountant's Review Report on Comparative Financial Statements Containing a Qualified Conclusion Due to a Departure From Accounting Principles Generally Accepted in the United States of America

Circumstances include the following:

- Review of a complete set of comparative financial statements.
- The financial statements contain a departure from accounting principles generally accepted in the United States of America.
- The financial statements are misstated and the misstatement is deemed to be material but not pervasive to the financial statements. Accordingly, the accountant's review report contains a qualified conclusion.

Independent Accountant's Review Report

[*Appropriate Addressee*]

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, 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 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

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. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

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Basis for Qualified Conclusion

As disclosed in Note X to these financial statements, accounting principles generally accepted in the United States of America require that inventory cost consist of material, labor, and overhead. Management has informed us that the inventory of finished goods and work in process is stated in the accompanying financial statements at material and labor cost only, and that the effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows have not been determined.

or

As disclosed in Note X to these financial statements, the company has adopted [*description of newly adopted method*], whereas it previously used [*description of previous method*]. Although the [*description of newly adopted method*] is in accordance with accounting principles generally accepted in the United States of America, the company does not appear to have reasonable justification for making a change as required by FASB *Accounting Standards Codification* 250, *Accounting Changes and Error Corrections*.

Qualified Conclusion

Based on our reviews, except for the effect of the matter described in the Basis for Qualified Conclusion paragraph, 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 accountant's firm*]

[*City and state where the accountant practices*]

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

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Illustration 6 — An Accountant's Review Report on Comparative Consolidated Financial Statements in Which the Accountant Makes Reference to the Work of Other Accountants Who Were Engaged to Review the Financial Statements of a Significant Component

Circumstances include the following:

- Review of a complete set of comparative consolidated financial statements.
- The financial statements of B Company, a wholly-owned subsidiary, whose financial statements reflect total assets constituting 20 percent and 22 percent, respectively, of consolidated total assets at December 31, 20X2 and 20X1, and total revenues constituting 18 percent and 20 percent, respectively, of consolidated total revenues for the years then ended, were reviewed by other accountants, and the accountant has decided to make reference to the work of other accountants in the accountant's review report.
- Both the financial statements of the reporting entity and the subsidiary are prepared in accordance with accounting principles generally accepted in the United States of America.
- Both reviews were performed in accordance with Statements on Standards for Accounting and Review Services.
- The accountant concluded that an unmodified (that is "clean") conclusion on the financial statements of the reporting entity is appropriate based on the review evidence obtained.

Independent Accountant's Review Report

[*Appropriate Addressee*]

We have reviewed the accompanying consolidated financial statements of XYZ Company and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 20X2 and 20X1, and the related consolidated 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, 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 consolidated 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

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consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA. We did not review the financial statements of B Company, a wholly-owned subsidiary, which financial statements reflect total assets constituting 20% and 22%, respectively, of consolidated total assets at December 31, 20X2 and 20X1, and total revenues constituting 18% and 20%, respectively, of consolidated total revenues for the years then ended. Those statements were reviewed by other accountants, whose report has been furnished to us, and our conclusion, insofar as it relates to the amounts included for B Company, is based solely on the report of the other accountants.

SSARSs require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion

Based on our reviews, and the report of other accountants, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

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

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Illustration 7 — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America Containing an Adverse Conclusion Due to a Misstatement of the Financial Statements That Is Both Material and Pervasive to the Financial Statements

Circumstances include the following:

- Review of a complete set of comparative financial statements.
- The financial statements are materially misstated due to the nonconsolidation of a subsidiary. The material misstatement is deemed to be pervasive to the financial statements. Accordingly, the accountant's review report contains an adverse conclusion. The effects of the misstatement on the financial statements have not been determined because it was not practical to do so.

Independent Accountant's Review Report

[*Appropriate Addressee*]

We have reviewed the accompanying financial statements of XYZ Company, which comprise the balance sheet as of December 31, 20X1, and the related statements of income, changes in stockholders' equity, and cash flows for the year 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, 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 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 financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

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We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Basis for Adverse Conclusion

As disclosed in Note X to these financial statements, the Company has not consolidated the financial statements of subsidiary ABC Company it acquired during 20X1 because it has not yet been able to ascertain the fair values of certain of the subsidiary's material assets and liabilities at the acquisition date. This investment is therefore accounted for on a cost basis by the Company. Under accounting principles generally accepted in the United States of America, the subsidiary should have been consolidated because it is controlled by the Company. Had XYZ Company been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

Adverse Conclusion

Based on our review, due to the significance of the matter described in the Basis for Adverse Conclusion paragraph, the financial statements are not in accordance with accounting principles generally accepted in the United States of America. [Had we been engaged to perform an audit, other matters might have come to our attention.]

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

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

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25. Paragraph subsequently renumbered by the issuance of SSARS No. 26, June 2022.]

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AR-C Section 100

Special Considerations—International Reporting Issues

Source: SSARS No. 24.

Effective for compilations and reviews of financial statements for periods ending on or after June 15, 2019.

Introduction

Scope of This Section

.01 This section addresses situations in which an accountant is engaged to perform a compilation or review of financial statements in accordance with Statements on Standards for Accounting and Review Services (SSARSs) in either of the following circumstances:

a. The financial statements 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).

b. The compilation or review engagement is to be performed in accordance with both SSARSs and another set of compilation or review standards, such as International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements*, or International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*.

.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 of the AICPA 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. (Ref: par. .A2–.A3)

Effective Date

.03 This section is effective for compilations and reviews of financial statements for periods ending on or after June 15, 2019.

Objective

.04 The objective of the accountant, when performing a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted

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in another country or in accordance with both SSARSs and another set of compilation or review standards, is to address appropriately the special considerations that are relevant to

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

.05 In a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country, in complying with paragraph .26*b* of section 60B, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*, which 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, the accountant should obtain an understanding of the following: (Ref: par. .A4)

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

c. The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances

.06 The accountant should obtain an understanding of the applicable legal responsibilities involved when the compilation or review engagement is to be performed in accordance with both SSARSs and another set of compilation or review standards and both of the following are true: (Ref: par. .A5)

a. The financial statements are intended for use only outside of the United States.

b. The accountant plans to use the form and content of the accountant's compilation or review report of the other set of compilation or review standards.

Compilation or Review of Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country

.07 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. .A6–.A7)

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.08 The accountant should comply with section 80B, *Compilation Engagements*, and section 90B, *Review of Financial Statements*, with respect to compilations or reviews, respectively, of financial statements prepared in accordance with a financial reporting framework generally accepted in another country. When the financial statements are intended for use only outside of the United States, the accountant may use the report form and content of the other country in accordance with paragraph .10*b*.

Application of Another Set of Compilation or Review Standards

.09 If the accountant is engaged to perform a compilation or review of financial statements and the agreed-upon terms of the engagement require the accountant to apply another set of compilation or review standards in addition to SSARSs, 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 .10*a*. (Ref: par. .A8–.A10)

Reporting

Reporting—Intended for Use Only Outside the United States

.10 If the accountant is issuing an accountant's compilation or review report on financial statements and such financial statements are intended for use only outside the United States, the accountant should use either of the following:

a. A report in accordance with SSARSs, the content of which includes the following: (Ref: par. .A11)

   i. The elements required by section 80B or section 90B, as applicable, excluding the requirement from paragraph .21 of section 80B or paragraph .43 of section 90B to include a paragraph regarding financial statements prepared in accordance with a special purpose framework

   ii. 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 if the financial statements are prepared in accordance with a financial reporting framework generally accepted in another country

b. The report form and content in accordance with another set of compilation or review standards (for example, as set forth in ISRS 4410 (Revised) or ISRE 2400 (Revised)), provided that the following are true:

   i. Such a report would be issued by accountants in the other country in similar circumstances.

   ii. If a review engagement is performed, the accountant has obtained sufficient appropriate review evidence to support the conclusion expressed in the review report.

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iii. The accountant has complied with the reporting standards of the other set of compilation or review standards and identifies such standards in the report. (Ref: par. .A5)

Reporting—Use in the United States

.11 If the financial statements will be used in the United States, the accountant should report in accordance with SSARSs, including the requirements related to financial statements prepared in accordance with a special purpose framework from paragraph .21 of section 80B and paragraph .43 of section 90B for compilations and reviews, respectively. (Ref: par. .A12–.A13)

Accountant's Report for Compilations or Reviews Conducted in Accordance With Both SSARSs and Another Set of Compilation or Review Standards

.12 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.

.13 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 its origin.

Application and Other Explanatory Material

Scope of This Section (Ref: par. .01–.02)

.A1 Pursuant to paragraph .10 of section 60B, the accountant must perform a review or compilation in accordance with SSARSs, except for certain reviews of interim financial information as discussed in section 90B.

.A2 Sections 80B and 90B apply to compilations and reviews, respectively, of financial statements prepared in accordance with financial reporting frameworks established by the bodies designated by the Council, including financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

.A3 This section applies 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 such financial statements are in compliance with IFRS as promulgated by the IASB.

Considerations When Accepting the Engagement (Ref: par. .05*b*, .06, and .10*b*iii)

.A4 In obtaining an understanding of the purpose for which the financial statements are prepared and of the intended users, the accountant may consider whether the intended

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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 or countries 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 wide distribution in the United States.

.A5 Even when the form and content of the accountant's compilation or review report presented in accordance with another set of compilation or review standards 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 such a compilation or review report may require the accountant to report on statutory compliance or otherwise require an understanding of local laws and regulations. When issuing such an accountant's compilation or review report, the accountant is required by paragraph .06 to obtain an understanding of applicable legal responsibilities, in addition to the compilation or review standards and the financial reporting framework, as required by paragraphs .05 and .08–.09. Accordingly, depending on the nature and extent of the accountant's knowledge and experience, the accountant may consult with persons having expertise in the compilation or review reporting requirements in the other set of compilation or review standards and associated legal responsibilities to obtain the understanding needed to issue the compilation or review report in accordance with the other set of compilation or review standards.

Compilation or Review of Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country (Ref: par. .07)

.A6 Paragraph .13 of section 80B 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 section 90B require 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 in which there is a greater likelihood that material misstatements may arise and to be able to design procedures to address those areas.

.A7 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.

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Application of Another Set of Compilation or Review Standards (Ref: par. .09)

.A8 When an accountant is applying another set of compilation or review standards, such as ISRS 4410 (Revised) or ISRE 2400 (Revised), the accountant may be required to perform procedures in addition to those procedures required by SSARSs.

.A9 An understanding of another set of compilation or review standards may be obtained by reading the statutes or professional literature, or codifications thereof, which establish or describe such standards.

.A10 Statutes or professional literature, or codifications thereof, however, may not include a complete description of another set of compilation or review standards. The accountant may consult with persons having expertise, including practical experience, in applying another set of compilation or review standards, as relevant.

Reporting (Ref: par. .10*a* and .11)

.A11 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 Performed in Accordance With SSARSs and Another Set of Compilation or Review Standards" contains illustrations of auditor's reports on financial statements incorporating the elements required by paragraphs .10–.11.

Reporting—Use in the United States (Ref: par. .11)

.A12 When reporting on financial statements prepared in accordance with a financial reporting framework generally accepted in another country that will be used both inside and outside the United States, the accountant may issue two reports: one of the reports described in paragraph .10 for use outside the United States and a report in accordance with SSARSs to be used in the United States.

.A13 An entity that prepares financial statements in accordance with GAAP may also 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 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). 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 .10. The accountant may include in the reports that another report has been issued on the entity's financial statements 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. Such a statement may be included in a separate paragraph to the accountant's compilation or review report (this paragraph would be an emphasis-of-matter paragraph in an accountant's review report). The following is an example:

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We also have reported separately on the financial statements of ABC Company for the same period presented in accordance with [*specify the financial reporting framework generally accepted*] in [*name of country*]. (Note X summarizes the significant differences between the [*specify the financial reporting framework generally accepted*] in [*name of country*] and accounting principles generally accepted in the United States of America.)

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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 Performed in Accordance With SSARSs and Another Set of Compilation or Review Standards (Ref: par. .A11)

.A14 The illustrative compilation and review reports in this exhibit are intended as illustrations that may be used to comply with the requirements of section 100. The accountant's compilation or review report will vary according to individual requirements and circumstances. For example, while the accountant's compilation or review report is issued by the firm as opposed to the engagement partner, if the accountant is a sole practitioner with no staff, the accountant may determine that it is appropriate to use terms such as *I* or *my* instead of *we* or *our*, respectively.

Illustration 1: Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Compilation Standards and the Financial Statements Are Intended for Use Only Outside the United States

Illustration 2: Independent Accountant's Review Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Review Standards and the Financial Statements Are Intended for Use Only Outside the United States

Illustration 3: Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Compilation Standards and the Financial Statements Are Also Intended for Use in the United States

Illustration 4: Independent Accountant's Review Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Review Standards and the Financial Statements Are Also Intended for Use in the United States

Illustration 5: Independent Accountant's Review Report on Financial Statements Prepared in Accordance With SSARSs and in Accordance With International Financial Reporting Standards as Issued by the International Accounting Standards Board Performed in Accordance With SSARSs and International Standard on Review Engagements 2400 (Revised) Issued by the International Auditing and Assurance Standards Board

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Illustration 1: Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Compilation Standards and the Financial Statements 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*]. 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 in accordance with [*identify the other set of compilation standards*]. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

[*Date of the accountant's report*]

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Illustration 2: Independent Accountant's Review Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Review Standards and the Financial Statements Are Intended for Use Only Outside the United States

Independent Accountant's Review Report

[*Appropriate addressee*]

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, 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

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 [*identify the other review standards*]. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether 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*]. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our reviews, 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*].

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[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

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

Illustration 3: Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Compilation Standards and the Financial Statements 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*]. 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 in accordance with [*identify the other compilation standards*]. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

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 accountant's firm*]

[*City and state where the accountant practices*]

[*Date of the accountant's report*]

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Illustration 4: Independent Accountant's Review Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Review Standards and the Financial Statements Are Also Intended for Use in the United States

Independent Accountant's Review Report

[*Appropriate addressee*]

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, 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

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 [*identify the other review standards*]. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether 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*]. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our reviews, 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*].

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Basis of Accounting

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 accountant's firm*]

[*City and state where the accountant practices*]

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

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Illustration 5: Independent Accountant's Review Report on Financial Statements Prepared in Accordance With SSARSs and in Accordance With International Financial Reporting Standards as Issued by the International Accounting Standards Board 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*]

We have reviewed the accompanying financial statements of XYZ Company, which comprise the statements of financial position as of December 31, 20X2 and 20X1, and the related statements of comprehensive income, changes in 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, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board; 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

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), *Engagements to Review Historical Financial Statements,* issued by the International Auditing and Assurance Standards Board. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

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Based on our reviews, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board.

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

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

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AR-C Section 120

Compilation of Pro Forma Financial Information

(Supersedes SSARS No. 14)

Source: SSARS No. 22

Effective for compilation reports on pro forma financial information dated on or after May 1, 2017.

Introduction

Scope of This Section

.01 This section contains performance and reporting requirements and application guidance for accountants engaged to perform a compilation engagement on pro forma financial information. (Ref: par. .A1)

Effective Date

.02 This section is effective for compilation reports on pro forma financial information dated on or after May 1, 2017.

Objective

.03 The objective of the accountant in a compilation of pro forma financial information is to apply accounting and financial reporting expertise to assist management in the presentation of pro forma financial information and report in accordance with this section without undertaking to obtain or provide any assurance on the pro forma financial information.

Definition

.04 For purposes of this section, the following term has the meaning attributed as follows:

Pro forma financial information. A presentation that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date. (Ref: par. .A2–.A5)

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Requirements

General Principles for Compilations of Pro Forma Financial Information

.05 In addition to complying with this section, an accountant is required to comply with section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*, adapted as necessary.

Independence

.06 In a compilation of pro forma financial information, the accountant must determine whether the accountant is independent of the entity. (Ref: par. .A6)

Acceptance and Continuance of Client Relationships

.07 As a condition for accepting an engagement to perform a compilation on pro forma financial information, in addition to the requirements in paragraph .25 of section 60B, adapted as necessary, the accountant should obtain the agreement of management that it acknowledges and understands its responsibility for the following: (Ref: par. .A7)

a. The preparation and fair presentation of pro forma financial information in accordance with the applicable financial reporting framework (Ref: par. .A8)

b. To include the following in any document that contains the pro forma financial information:

    i. The complete financial statements of the entity for the most recent year (or for the preceding year if financial statements for the most recent year are not yet available) or such financial statements are readily available (Ref: par. .A9)

    ii. If pro forma financial information is presented for an interim period, either historical interim financial information for that period (which may be in condensed form) or that such interim information is readily available (Ref: par. .A10)

    iii. In the case of a business combination, the relevant historical financial information for the significant constituent parts of the combined entity

c. To ensure that the financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) on which the pro forma financial information is based have been subjected to a compilation, review, or an audit engagement

d. To include the accountant's compilation or review report or the auditor's report on the financial statements (or to have readily available) in any document containing the pro forma financial information

e. To present a summary of significant assumptions with the pro forma financial information

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f. To obtain the accountant's permission prior to including the accountant's compilation report in any document containing the pro forma financial information that indicates that the entity's accountant has performed a compilation engagement on such pro forma financial information

.08 If the accountant is not satisfied about any of the matters set out in paragraph .25 of section 60B or paragraph .07 of this section as preconditions for accepting a compilation engagement with respect to pro forma financial information, the accountant should discuss the matter with management. If changes cannot be made to satisfy the accountant about those matters, the accountant should not accept the proposed compilation engagement.

Agreement on Engagement Terms

.09 The accountant should agree upon the terms of the engagement with management or those charged with governance, as appropriate. The agreed-upon terms of the engagement should be documented in an engagement letter or other suitable form of written agreement between the parties and should include the following: (Ref: par. .A11–.A16)

a. The objectives of the engagement

b. The responsibilities of management set forth in paragraph .25*c* of section 60B and paragraph .07 of this section

c. The responsibilities of the accountant

d. The limitations of the compilation engagement

e. Identification of the applicable financial reporting framework for the preparation of the pro forma financial information

f. The expected form and content of the accountant's compilation report and a statement that there may be circumstances in which the report may differ from its expected form and content

.10 The engagement letter or other suitable form of written agreement should be signed by

a. the accountant or the accountant's firm, and

b. management or those charged with governance, as appropriate. (Ref: par. .A12)

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework

.11 The accountant should obtain an understanding of the applicable financial reporting framework and the significant accounting policies intended to be used in the preparation of the pro forma financial information. If the entity is a combined entity, the accountant should obtain an understanding of the significant accounting policies adopted by management of each significant constituent part of the combined entity that would have been required to have been obtained by the accountant performing a compilation

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engagement with respect to the financial statements of each entity for the most recent annual or interim period for which the pro forma financial information is presented. (Ref: par. .A17–.A18)

Compilation Procedures

.12 In performing a compilation of pro forma financial information, the accountant should do the following:

a. Comply with the requirements set forth in paragraphs .13–.16 of section 80B, adapted as necessary. (Ref: par. .A19)

b. Obtain an understanding of the underlying transaction or event.

c. Ascertain that management has fulfilled its agreement pursuant to paragraph .07*b* of this section to include the following in any document that contains the pro forma financial information:

   i. The complete financial statements of the entity for the most recent year (or for the preceding year if financial statements for the most recent year are not yet available) or such financial statements are readily available

   ii. If pro forma financial information is presented for an interim period, either historical interim financial information for that period (which may be in condensed form) or that such interim information is readily available

   iii. In the case of a business combination, the relevant financial information for the significant constituent parts of the combined entity

d. Ascertain that management has fulfilled its agreement pursuant to paragraph .07*c* of this section to ensure that the financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) on which the pro forma financial information is based have been subjected to a compilation, review, or an audit engagement.

e. Ascertain that management has fulfilled its agreement pursuant to paragraph .07*d* of this section to include the accountant's compilation or review report or the auditor's report on the financial statements (or have readily available) in any document containing the pro forma financial information.

The Accountant’s Compilation Report on Pro Forma Financial Information

.13 The accountant’s compilation report should be in writing and comply with the requirements set forth in paragraphs .17–.31 of section 80B (Ref: par. .A20–.A22)

.14 In addition to the report elements required by paragraph .17 of section 80B, an accountant’s compilation report on pro forma financial information should include the following:

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a. A reference to the financial statements from which the historical financial information is derived and a statement as to whether such financial statements were subjected to an audit, a review, or a compilation engagement

b. A reference to any modification of the audit, review, or compilation report on the historical financial information

c. A description of the nature and limitations of pro forma financial information

Documentation

.15 The accountant should prepare documentation in connection with each compilation of pro forma financial information in sufficient detail to provide a clear understanding of the work performed, which, at a minimum, includes the following: (Ref: par. .A23)

a. The engagement letter or other suitable form of written documentation with management, as described in paragraphs .09–.10

b. The results of procedures performed in accordance with paragraph .12

c. A copy of the pro forma financial information

d. A copy of the accountant's compilation report

Application and Other Explanatory Material

Scope of This Section (Ref: par. .01)

.A1 A compilation engagement on pro forma financial information may be undertaken as a separate engagement or in conjunction with a compilation, a review, or an audit of financial statements.

Definition (Ref: par. .04)

.A2 Pro forma financial information is developed by applying pro forma adjustments to historical financial information. Appropriate pro forma adjustments are based on management's assumptions, give effect to all significant effects directly attributable to the transaction (or event), and are stated on a basis consistent with the financial reporting framework of the reporting entity and its accounting policies under that framework.

.A3 Pro forma financial information is commonly used to show the effects of a transaction (or event) such as the following:

- Business combination
- Change in capitalization
- Disposition of a significant portion of the business
- Change in the form of business organization or status as an autonomous entity

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- Proposed sale of securities and the application of the proceeds

.A4 Adequately disclosed pro forma financial information is labeled as such to distinguish it from other historical financial information. In addition, adequately disclosed financial information

- describes the transaction (or event) that is reflected in the pro forma financial information, the date on which the transaction (or event) is assumed to occur, the financial reporting framework of the financial statements, the source of the historical financial information on which it is based, the significant assumptions used to develop the pro forma adjustments, and any significant uncertainties about those assumptions.
- indicates that the pro forma financial information should be read in conjunction with the related historical financial information and that the pro forma financial information is not necessarily indicative of the results (such as financial position, results of operations, and cash flows, as applicable) that would have been attained had the transaction (or event) actually taken place earlier.

.A5 Article 11 of Regulation S-X provides further guidance on the presentation of pro forma financial information included in filings with the SEC.

Independence (Ref: par. .06)

.A6 The interpretations of the "Independence Rule", (ET sec. 1.200.001) of the AICPA Code of Professional Conduct provide authoritative guidance on independence. It is in the public interest and, therefore, required by this section, that the accountant modify the accountant's compilation report when the accountant is not independent of the entity whose pro forma financial information is the subject of the compilation engagement. The AICPA Code of Professional Conduct also defines *independence* as consisting of two elements, independence of mind and independence in appearance. Independence enhances the accountant's ability to act with integrity and be objective. Independence implies an impartiality that recognizes an obligation to be fair not only to the responsible party but also to users of the pro forma financial information who may rely upon the accountant's compilation report. In the absence of an interpretation of the "Independence Rule" that addresses a particular relationship or circumstance, a member should apply the "Conceptual Framework for Independence" interpretation (ET sec. 1.210.010).

Acceptance and Continuance of Client Relationships (Ref: par. .07)

.A7 Financial statements and historical interim financial information are deemed to be *readily available* if they are obtainable by a third-party user without any further action by the entity. For example, historical interim financial information on an entity's website may be considered readily available; however being available upon request is not considered readily available.

.A8 A compilation in accordance with SSARSs is conducted on the premise that management has acknowledged and understands that it has the responsibility set out in

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paragraph .25*c* of section 60B. The preparation of pro forma financial information, in whole or in part, is a nonattest service subject to the provisions of the "Nonattest Services" subtopic (ET section 1.295) of the "Independence Rule." To avoid misunderstanding, agreement is reached with management that it acknowledges and understands that it has such responsibilities as part of agreeing and documenting the terms of the compilation engagement as required by paragraphs .13–.15.

.A9 For purposes of this standard, *complete financial statements* means the financial statement or financial statements, including related notes if presented, that have been subjected to a compilation, a review, or an audit engagement. For example, if a balance sheet, income statement, statement of cash flows, and related notes were subjected to a compilation, a review, or an audit engagement, all are presented. If only a single financial statement is subjected to a compilation, a review, or an audit engagement or financial statements that omit all or substantially all disclosures are subjected to a compilation engagement, only that financial statement is (or those statements are) presented.

.A10 Interim historical financial information may be presented as a column in the pro forma financial information.

Agreement on Engagement Terms (Ref: par. .09–.10)

.A11 Both management and the accountant have an interest in documenting the terms of the compilation engagement before the commencement of the engagement to help avoid misunderstandings about the engagement. For example, it reduces the risk that management may inappropriately rely on or expect the accountant to protect management against certain risks or perform certain functions, including those that are management's responsibility.

.A12 The roles of management and those charged with governance in agreeing upon the terms of the compilation engagement for the entity depend on the governance structure of the entity and relevant law or regulation. Depending on the entity's structure, the agreement may be with management, those charged with governance, or both. Nonetheless, when the agreement on the terms of engagement is with only those charged with governance, in accordance with paragraph .25*c* of section 60B, the accountant is required to obtain management's agreement that it acknowledges and understands its responsibilities.

.A13 When a third party has contracted for a compilation of the entity's pro forma financial information, agreeing on the terms of the compilation with management of the entity is necessary in order to establish that the preconditions for a compilation are present.

.A14 The understanding with management regarding the services to be performed for compilation engagements is required by paragraph .09 to be in a documented form, and, accordingly, an oral understanding is insufficient. An engagement letter is the most common and usually the most convenient method for documenting the understanding with management regarding the services to be performed for compilation engagements.

.A15 Although the accountant may prepare the pro forma financial information, in whole or in part, the pro forma financial information is a representation of management, and the

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fairness of its presentation in accordance with the applicable financial reporting framework is management's responsibility.

.A16 Exhibit A, "Illustrative Engagement Letter," provides an example of an engagement letter for a compilation of pro forma financial information.

The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework (Ref: par. .11)

.A17 The requirement that the accountant obtain an understanding of the applicable financial reporting framework intended to be used in the preparation of the pro forma financial information and the significant accounting policies adopted by management does not prevent the accountant from accepting a compilation engagement for an entity in an industry in which the accountant has no previous experience. The accountant may obtain such understanding by, for example, consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals who are knowledgeable about the framework or the industry.

.A18 If another accountant has performed a compilation engagement on the financial statements of a significant constituent part of the combined entity, the need for the accountant to obtain an understanding of the significant accounting policies adopted by management is not diminished.

Compilation Procedures (Ref: par. .12)

.A19 The requirement in paragraph .13 of section 80B that the accountant read the financial statements in light of the accountant's understanding of the applicable financial reporting framework and the significant accounting policies adopted by management and consider whether such financial statements appear to be appropriate in form and free from obvious material misstatements requires the accountant to also read the pro forma financial information and consider the following:

- Whether the underlying transaction (or event), the pro forma adjustments, the significant assumptions, and the significant uncertainties, if any, about those assumptions have been appropriately described
- Whether the source of the historical financial information on which the pro forma financial information is based has been appropriately identified

The Accountant's Compilation Report on Pro Forma Financial Information (Ref: par. .13)

.A20 The accountant's compilation report on pro forma financial information may be added to the accountant's report on financial statements or it may appear separately.

.A21 An uncertainty about whether the underlying transaction (or event) will be consummated would not require a report modification.

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.A22 Exhibit B, "Illustrative Accountant's Compilation Report on Pro Forma Financial Information," provides an example of an accountant's compilation report on pro forma financial information.

Documentation (Ref: par. .15)

.A23 Documentation may include significant consultations or significant professional judgments made throughout the engagement.

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Exhibit A — Illustrative Engagement Letter (Ref: par. .A16)

.A24

The illustrative engagement letter in this exhibit is intended as an illustration that may be used in conjunction with the considerations outlined in Statements on Standards for Accounting and Review Services. The engagement letter will vary according to individual requirements and circumstances. The accountant may seek legal advice about whether a proposed letter is suitable.

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Circumstances include the following:

- The accountant will prepare, as a nonattest service, the pro forma financial information and perform a compilation on the pro forma financial information the accountant prepared.
- The pro forma financial information is presented in accordance with accounting principles generally accepted in the United States of America.
- The accountant expects that his or her independence will not be impaired.

To the appropriate representative of management of ABC Company:[1]

You[2] have requested that we prepare the pro forma financial information of ABC Company (the Company) and perform a compilation engagement with respect to that pro forma financial information. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

Pro forma financial information is a presentation that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date.

Our Responsibilities

The objective of our engagement is to

a. prepare the pro forma financial information in accordance with accounting principles generally accepted in the United States of America, and

b. perform a compilation engagement on the pro forma financial information we prepared in which we will apply accounting and financial reporting expertise to assist you in the presentation of the pro forma financial information and report without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the pro forma financial information in order for it to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA) and comply with the AICPA Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

[1]The addresses and references in the engagement letter will be those that are appropriate in the circumstances of the compilation of pro forma financial information, including the relevant jurisdiction. It is important to refer to the appropriate persons.

[2]Throughout this engagement letter, references to *you, we, us, management,* and *accountant* will be used or amended as appropriate in the circumstances.

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We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or provide any assurance on the pro forma financial information.

Our engagement cannot be relied upon to identify or disclose any pro forma financial information misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Company or noncompliance with laws and regulations.

Management Responsibilities

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is to prepare the pro forma financial information in accordance with accounting principles generally accepted in the United States of America and perform a compilation engagement on the pro forma financial information we prepared. Management has the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

a. For the preparation and fair presentation of the pro forma financial information in accordance with accounting principles generally accepted in the United States of America and for the selection of accounting principles generally accepted in the United States of America as the applicable financial reporting framework

b. To include the following in any document that contains the pro forma financial information:

    i. The complete financial statements of the entity for the most recent year (or for the preceding year if financial statements for the most recent year are not yet available) or such financial statements are readily available

    ii. If pro forma financial information is presented for an interim period, either historical interim financial information for that period (which may be in condensed form) or that such interim information is readily available

    iii. In the case of a business combination, the relevant historical financial information for the significant constituent parts of the combined entity

c. To ensure that the financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) on which the pro forma financial information is based have been subjected to a compilation, review, or an audit engagement.

d. To include the accountant's compilation or review report or the auditor's report on the financial statements (or make readily available) in any document containing the pro forma financial information

e. To present a summary of significant assumptions with the pro forma financial information

f. To obtain the accountant’s permission prior to including the accountant’s compilation report in any document containing the pro forma financial information that indicates

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that the entity's accountant has performed a compilation engagement on such pro forma financial information

g. To prevent and detect fraud

h. To ensure that the Company complies with the laws and regulations applicable to its activities

i. For the accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement

j. To provide us with the following:

   i. Assumptions that provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event)

   ii. Documentation and other related information that is relevant to the preparation and presentation of the pro forma financial information

   iii. Additional information that may be requested for the purpose of the preparation of the pro forma financial information

   iv. Unrestricted access to persons within the Company of whom we determine necessary to communicate

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and expertise to oversee our preparation of your pro forma financial information. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report

As part of our engagement, we will issue a report that will state that we did not examine or review the pro forma financial information and that, accordingly, we do not express an opinion nor provide any assurance on it. There may be circumstances in which the report differs from the expected form and content.

We have no responsibility to update our report for events and circumstances occurring after the date of such report.

If management intends to reproduce and publish the pro forma financial information and our report thereon, they must be reproduced in their entirety, and both the first and subsequent corrected drafts of the document containing the pro forma financial information and any accompanying material must be submitted to us for approval.

Other Relevant Information

Our fees for these services . . .

[*The accountant may include language, such as the following, regarding limitation of, or other arrangements regarding, the liability of the accountant or the entity, such as*

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indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the pro forma financial information described herein except for our own intentional wrongdoing.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the pro forma financial information described herein and to perform a compilation engagement with respect to that same pro forma financial information, and our respective responsibilities.

Sincerely yours,

[*Signature of accountant or accountant's firm*]

Acknowledged and agreed on behalf of ABC Company by:

[*Signed*]

[*Name and title*]

[*Date*]

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Exhibit B — Illustrative Accountant's Compilation Report on Pro Forma Financial Information (Ref: par. .A22)

.A25 This illustrative compilation report is intended as an illustration that may be used to comply with the requirements of section 120. The accountant's compilation report will vary according to individual requirements and circumstances. For example, while the accountant's compilation report is issued by the firm as opposed to the engagement partner, if the accountant is a sole practitioner with no staff, the accountant may determine that it is appropriate to use terms such as *I* or *my* instead of *we* or *our*, respectively.

Management is responsible for the accompanying pro forma condensed balance sheet of XYZ Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the financial statements of XYZ Company, on which we performed a compilation engagement, and of ABC Company, on which other accountants performed a compilation engagement. The pro forma adjustments are based on management's assumptions described in Note 1. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the pro forma financial information nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the pro forma financial information.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the underlying transaction (or event) occurred at an earlier date. However, the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above mentioned transaction (or event) actually occurred at such earlier date.

[Additional paragraph(s) may be added to emphasize certain matters relating to the compilation engagement or the subject matter.]

[*Signature of accountant's firm*]

[*City and state where the accountant practices*]

[*Date of the accountant's report*]

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AR-C Appendixes

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AR-C Appendix A

Schedule of Changes in Statements on Standards for Accounting and Review Services[a]

Section	Paragraph	Changes	Date of Change
60	.01	Amended by SSARS No. 23.	October 2016
60	.03	Amended by SSARS No. 23.	October 2016
60	.04	Amended by SSARS No. 23.	October 2016
60	.07	Amended by SSARS No. 23.	October 2016
60	.07	Amended by SSARS No. 24.	May 2018
60	.07	Amended by SSARS No. 25.	February 2020
60	.07	Amended by SSARS No. 26.	June 2022
60	.17	Added by SSARS No. 23.	October 2016
60	.20	Amended by SSARS No. 26.	June 2022
60	.21	Added by SSARS No. 25.	February 2020
60	.21	Amended by SSARS No. 26.	June 2022
60	.23	Amended by SSARS No. 26.	June 2022
60	.24–.28	Added by SSARS No. 26.	June 2022
60	.26	Amended by SSARS No. 23.	October 2016
60	.26	Amended by SSARS No. 25.	February 2020
60	.29–.30	Added by SSARS No. 26.	June 2022
60	.A1–.A3	Superseded by SSARS No. 23.	October 2016
60	.A4	Added by SSARS No. 23.	October 2016
60	.A12	Added by SSARS No. 23.	October 2016
60	.A13	Added by SSARS No. 25.	February 2020
60	.A12–.A13	Added by SSARS No. 26.	June 2022
60	.A19	Amended by SSARS No. 26.	June 2022
60	.A21	Amended by SSARS No. 23.	October 2016
60	.A26	Amended by SSARS No. 23.	October 2016
60	.A33	Amended by SSARS No. 23.	October 2016
60	.A38	Amended by SSARS No. 23.	October 2016
60	.A40	Amended by SSARS No. 25.	February 2020
60	.A42–.A45	Amended by SSARS No. 26.	June 2022

[a]This table lists changes resulting from Statements on Standards for Accounting and Review Services (SSARSs) issued subsequent to SSARS No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*, which was issued in October 2014.

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Section	Paragraph	Changes	Date of Change
60	.A44	Superseded by SSARS No. 25.	February 2020
60	.A46	Added by SSARS No. 26.	June 2022
60	.A47	Added by SSARS No. 25.	February 2020
60	.A47	Amended by SSARS No. 26.	June 2022
60	.A51	Added by SSARS No. 24.	May 2018
60	.A49	Amended by SSARS No. 26.	June 2022
60	.A51–.A59	Added by SSARS No. 26.	June 2022
60	.A51	Added by SSARS No. 25.	February 2020
60	.A52	Added by SSARS No. 25	February 2020
60	.A59–.A62	Added by SSARS No. 25	February 2020
60	.A60	Amended by SSARS No. 25	February 2020
60	[.A61]	Deleted by SSARS No. 26.	June 2022
70	.01	Amended by SSARS No. 23.	October 2016
70	.01–.02	Amended by SSARS No. 27.	April 2025
70	.07	Amended by SSARS No. 25.	February 2020
70	.10	Amended by SSARS No. 23.	October 2016
70	.14	Amended by SSARS No. 23.	October 2016
70	.14	Amended by SSARS No. 25.	February 2020
70	.17	Amended by SSARS No. 25.	February 2020
70	.19	Added by SSARS No. 23.	October 2016
70	.20–.21	Amended by SSARS No. 25.	February 2020
70	.A1–.A2	Added by SSARS No. 23.	October 2016
70	.A3	Amended by SSARS No. 23.	October 2016
70	.A4–.A5	Added by SSARS No. 27.	April 2025
70	.A6	Superseded by SSARS No. 25.	February 2020
70	.A9	Amended by SSARS No. 23.	October 2016
70	.A14	Amended by SSARS No. 26.	June 2022
70	.A15–.A16	Added by SSARS No. 25.	February 2020
70	.A22–.A23	Added by SSARS No. 25.	February 2020
80	.01	Amended by SSARS No. 23.	October 2016
80	.05	Amended by SSARS No. 25.	February 2020
80	.10	Amended by SSARS No. 23.	October 2016
80	.17	Amended by SSARS No. 26.	June 2022
80	.18–.21	Amended by SSARS No. 25.	February 2020
80	.24–.25	Added by SSARS No. 23.	October 2016
80	.26	Amended by SSARS No. 25.	February 2020
80	.29–.30	Amended by SSARS No. 23.	October 2016
80	.A1–.A2	Added by SSARS No. 23.	October 2016
80	.A3	Amended by SSARS No. 23.	October 2016
80	.A4	Added by SSARS No. 23.	October 2016
80	.A5	Superseded by SSARS No. 25.	February 2020

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80	.A14	Amended by SSARS No. 23.	October 2016
80	.A25	Superseded by SSARS No. 23.	October 2016
80	.A25	Reinstated by SSARS No. 26.	June 2022
80	.A26	Added by SSARS No. 26.	June 2022
80	.A28–.A29	Added by SSARS No. 25.	February 2020
80	.A34	Superseded by SSARS No. 25.	February 2020
80	.A35–.A36	Added by SSARS No. 25.	February 2020
80	.A40	Superseded by SSARS No. 23.	October 2016
90	.01	Amended by SSARS No. 23.	October 2016
90	.03	Added by SSARS No. 25.	February 2020
90	.04	Added by SSARS No. 25.	February 2020
90	.05	Amended by SSARS No. 23.	October 2016
90	.05	Amended by SSARS No. 24.	May 2018
90	.05	Added by SSARS No. 25.	February 2020
90	.07	Amended by SSARS No. 25.	February 2020
90	.08	Amended by SSARS No. 25.	February 2020
90	.11–.12	Amended by SSARS No. 23.	October 2016
90	.11	Added by SSARS No. 25.	February 2020
90	.13	Amended by SSARS No. 25.	February 2020
90	.15	Added by SSARS No. 25.	February 2020
90	.16	Amended by SSARS No. 25.	February 2020
90	.16	Amended by SSARS No. 26.	June 2022
90	.19–.20	Added by SSARS No. 25.	February 2020
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90	.34	Amended by SSARS No. 24.	May 2018
90	.32–.38	Added by SSARS No. 25.	February 2020
90	.39*g*	Amended by SSARS No. 23.	October 2016
90	.39	Amended by SSARS No. 24.	May 2018
90	.39	Added by SSARS No. 25.	February 2020
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90	.46	Superseded by SSARS No. 25.	February 2020
90	.47	Amended by SSARS No. 24.	February 2020
90	.48–.57	Added by SSARS No. 25.	February 2020
90	.60	Amended by SSARS No. 24.	February 2020
90	.65	Added by SSARS No. 24.	May 2018
90	.64–.74	Added by SSARS No. 25.	February 2020
90	.66–.69	Amended by SSARS No. 24.	May 2018
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90	.76	Amended by SSARS No. 26.	June 2022

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90	.79	Amended by SSARS No. 24.	May 2018
90	.80	Added by SSARS No. 24.	May 2018
90	.81	Amended by SSARS No. 24.	May 2018
90	.78–.81	Amended by SSARS No. 25	February 2020
90	.82	Added by SSARS No. 24.	May 2018
90	.81–.83	Amended by SSARS No. 23.	October 2016
90	.88	Superseded by SSARS No. 25.	February 2020
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90	.113–.121	Superseded by SSARS No. 25.	February 2020
90	.137–.138	Amended by SSARS No. 25.	February 2020
90	.139	Added by SSARS No. 25.	February 2020
90	.139	Amended by SSARS No. 26.	June 2022
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90	.A10	Added by SSARS No. 25.	February 2020
90	.A11–.A12	Added by SSARS No. 23.	October 2016
90	.A12	Superseded by SSARS No. 25.	February 2020
90	.A17–.A21	Added by SSARS No. 25.	February 2020
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90	.A47	Added by SSARS No. 25.	February 2020
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90	.A79–.A86	Added by SSARS No. 25.	February 2020
90	.A101–.A106	Added by SSARS No. 25.	February 2020
90	.A116–.A117	Added by SSARS No. 24.	May 2018
90	.A118–.A119	Amended by SSARS No. 24.	May 2018
90	.A119	Added by SSARS No. 25.	February 2020
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90	.A121	Amended by SSARS No. 24.	May 2018
90	.A120–.A121	Added by SSARS No. 26.	June 2022

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90	.A122	Superseded by SSARS No. 24.	May 2018
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90	.A124–.A125	Added by SSARS No. 24.	May 2018
90	.A124–.A125	Added by SSARS No. 25.	February 2020
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90	.A132–.A134	Amended by SSARS No. 23.	October 2016
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90	.A138–.A140	Added by SSARS No. 24.	May 2018
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90	.A145	Added by SSARS No. 25.	February 2020
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90	.A152–.A156	Added by SSARS No. 25.	February 2020
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90	.A197	Superseded by SSARS No. 25.	February 2020
90	.A213	Superseded by SSARS No. 25.	February 2020
90	.A216	Amended by SSARS No. 25.	February 2020
100		Added by SSARS No. 24.	May 2018
120		Added by SSARS No. 22.	September 2016

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