

Statement on
Standards for Accounting and
Review Services

February 2020
25

Issued by the Accounting and Review Services Committee

Materiality in a Review of Financial Statements and Adverse Conclusions

(Amends Statement on Standards for Accounting and Review Services No. 21,* Statements on Standards for Accounting and Review Services: Clarification and Recodification, *as amended:

- ***Section 60,* General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services *[AICPA,* Professional Standards, *AR-C sec. 60]***
- ***Section 70,* Preparation of Financial Statements *[AICPA,* Professional Standards, *AR-C sec. 70]***
- ***Section 80,* Compilation Engagements *[AICPA,* Professional Standards, *AR-C sec. 80]***
- ***Section 90,* Review of Financial Statements *[AICPA,* Professional Standards, *AR-C sec. 90])***

Copyright © 2020 by
American Institute of Certified Public Accountants, Inc.
New York, NY 10036-8775

All rights reserved. For information about the procedure for requesting permission to make copies of any part of this work, please e-mail copyright-permissions@aicpa-cima.com with your request. Otherwise, requests should be written and mailed to the Permissions Department, 220 Leigh Farm Road, Durham, NC 27707-8110.

1 2 3 4 5 6 7 8 9 0 AudS 1 9

Accounting and Review Services Committee

(2019–2020)

Denny F. Ard, *Chair*
David A. Johnson
Bruce A. Nunnally
Victoria L. Pitkin
Thomas G. Prothro
Dustin T. Verity
Michael A. Westervelt

Staff

Robert Dohrer
Chief Auditor

Michael P. Glynn
Senior Manager — Audit and Attest Standards

Michael A. Jones
Assistant General Counsel — Office of General Counsel

Note: *Statements on Standards for Accounting and Review Services are issued by the Accounting and Review Services Committee (ARSC), the senior body of the AICPA designated to promulgate standards under the "General Standards Rule" (ET sec. 1.300.001*)[1] *and the "Compliance With Standards Rule"* (*ET sec. 1.310.001*) *of the AICPA Code of Professional Conduct 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.*

[1] All ET sections can be found in AICPA *Professional Standards*.

Statement on Standards for Accounting and Review Services

Materiality in a Review of Financial Statements and Adverse Conclusions

Boldface italics denote new language. Deleted text is in ~~strikethrough~~.

Amendment to SSARS No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*, as Amended

AR-C Section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*

[No amendment to paragraphs .01–.06.]

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)[1] and the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct.***

Engagement partner. The partner or other person in 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 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 statements (for

[1] All ET sections can be found in AICPA *Professional Standards*.

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 ~~related notes~~ ***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 related notes ordinarily comprise a summary of significant accounting policies and other explanatory information.~~ 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.***

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.

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

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.

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.

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)***

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.**

[No amendment to paragraphs .08–.19.]

Engagement Level Quality Control

[No amendment to paragraph .20.]

.21 In an engagement performed in accordance with SSARSs, the engagement partner should take responsibility for the following: (Ref: par. .~~A39~~***A40***–.~~A42~~***A43***)

a. The overall quality of each engagement to which that partner is assigned

b. The direction, supervision, planning, and performance of the engagement in compliance with professional standards and applicable legal and regulatory requirements ~~(Ref: par. .A43)~~

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

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

i. Being satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and engagements have been followed, and that conclusions reached are appropriate, including considering whether there is information that would lead the engagement partner to conclude that management lacks integrity (Ref: par. .A44–.A45)

ii. Being satisfied that the engagement team collectively has the appropriate competence and capabilities to perform the engagement and expertise in financial reporting to ***(Ref: par. .A46)***

(1) perform the engagement in accordance with professional standards and applicable legal and regulatory requirements and

(2) enable a report that is appropriate in the circumstances to be issued, if applicable

iii. Taking responsibility for appropriate engagement documentation being maintained

[No amendment to paragraphs .22–.24.]

Acceptance and Continuance of Client Relationships and Engagements

[No amendment to paragraph .25.]

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

~~*a.* determine whether preliminary knowledge of the engagement circumstances indicate that ethical requirements regarding professional competence will be satisfied.~~

~~*b*~~**a**. determine whether the financial reporting framework selected by management to be applied in the preparation of the financial statements is acceptable. (Ref: par. ~~.A49~~***A50–.A56***)

~~*c*~~**b**. obtain the agreement of management that it acknowledges and understands its responsibility (Ref: par. ~~.A50~~***A57–.A61***)

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. .~~A51~~***A62***)

iii. for preventing and detecting fraud.

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

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. .~~A51~~***A63***)

(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.

[No amendment to paragraphs .A1–.A11.]

Definitions (Ref: par. .07)

[No amendment to paragraph .A12.]

.A13 ***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 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.***

[Paragraphs .A13–.A38 are renumbered to paragraphs .A14–.A39. The content is unchanged.]

Engagement Level Quality Control (Ref: par. .21)

.A39*A40* Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures ***that are*** applicable to the engagement and provide the firm with relevant information to enable the functioning of that part of the firm's system of quality control relating to independence.

[Paragraphs.A40–.A42 are renumbered to paragraphs .A41–.A43. The content is unchanged.]

~~**Assignment of Engagement Teams (Ref: par. .21b)**~~

~~**.A43** When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner may take into consideration such matters as the team'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 client operates.~~
- ~~ability to apply professional judgment.~~
- ~~understanding of the firm's quality control policies and procedures.~~

[No amendment to paragraphs .A44–.A45.]

Assignment of Engagement Teams (Ref: par. .*21*d*ii***)**

.A46 ***When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner may take into consideration such matters as the team'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 client operates.***
- ***ability to apply professional judgment.***
- ***understanding of the firm's quality control policies and procedures.***

Acceptance and Continuance of Client Relationships and Engagements (Ref: par. .25–.26)

[Paragraphs .A46–.A48 are renumbered to paragraphs .A47–.A49. The content is unchanged.]

The Applicable Financial Reporting Framework

.A50 ***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.***

.A51 ***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 .A56–.A58.***

Determining the Acceptability of the Financial Reporting Framework

.A49 ~~.~~*A52* 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:

- ***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

.*A53* ***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.**

.*A54* **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.***

.*A55* **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.**

.*A56* ***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 .A50 is renumbered to paragraph .A57. The content is unchanged.]

.*A58* ***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.***

.A59 ***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.***

.A60 ***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.***

.A61 ***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.***

[Paragraphs .A51–.A52 are renumbered to paragraphs .A62–.A63. The content is unchanged.]

[No further amendment to AR-C section 60.]

1. This amendment is effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021. Early implementation is permitted.

AR-C Section 70*, Preparation of Financial Statements*

[No amendment to paragraphs .01–.06.]

Definitions

.07 For purposes of Statements on Standards for Accounting and Review Services (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.~~

…

~~**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 commission). (Ref: par. .A6)~~

~~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.~~

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

…

[No amendment to paragraphs .08–.13.]

Preparing the Financial Statements

.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~~***A12***)

a. ~~i~~***I***ssue ~~either~~ a disclaimer that makes clear that no assurance is provided on the financial statements~~;~~**.** (Ref: par. .~~A14~~***A13***)

b. ~~p~~***P***erform a compilation engagement in accordance with section 80, *Compilation Engagements*~~; or~~**.**

c. ~~w~~***W***ithdraw from the engagement ***and inform management of the reasons for withdrawing***. ***(Ref: par. .A14–.A15)***

[No amendment to paragraphs .15–.16.]

.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. .A14–.A15)***

[No amendment to paragraphs .18–.19.]

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. .~~A18~~***A19***)

.21 The accountant should not prepare financial statements that omit substantially all disclosures required by the financial reporting framework if ~~the accountant becomes aware that the omission of substantially all disclosures was undertaken with the intention of misleading users of such financial statements~~***, in the accountant's professional judgment, such financial statements would be misleading to users of the financial statements***. (Ref: par. .~~A19~~***A20–.A22***)

[No amendments to paragraphs .22–.23 and .A1–.A5.]

Definitions

~~**.A6** 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 GAAP but does not comply with all of the requirements of GAAP. Such frameworks are regulatory bases of accounting, as defined in paragraph .05. In some circumstances, however, the cash- or tax-basis of accounting may be permitted by a regulator. For purposes of this section, the cash and tax bases of accounting are not regulatory bases of accounting.~~

[Paragraphs .A7–.A12 are renumbered to paragraphs .A6–.A11. The content is unchanged.]

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

[Paragraphs .A13–.A14 are renumbered to paragraphs .A12–.A13. The content is unchanged.]

.*A14* ***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.***

.*A15* ***When making a determination about whether and how to withdraw from an engagement, the accountant may wish to consult with legal counsel.***

[Paragraphs .A15–.A17 are renumbered to paragraphs .A16–.A18. The content is unchanged.]

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

[Paragraphs .A18–.A19 are renumbered to paragraphs .A19–.A20. The content is unchanged.]

.A21 ***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.***

.A22 ***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.***

[Paragraphs .A20–.A22 are renumbered to paragraphs .A23–.A25. The content is unchanged.]

[No further amendment to AR-C section 70.]

2. This amendment is effective for the preparation of financial statements for periods ending on or after December 15, 2021. Early implementation is permitted.

AR-C Section 80*, Compilation Engagements*

[No amendment to paragraphs .01–.04.]

Definitions

.05 For purposes of Statements on Standards for Accounting and Review Services (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.~~

…

~~**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 commission). (Ref: par. .A5)~~

~~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.~~

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

…

[No amendment to paragraphs .06–.17.]

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. ***.A27***–~~.A28~~***A29***)

b. a summary of significant accounting policies. (Ref: par. ~~.A29~~***A30***)

c. an adequate description about how the special purpose framework differs from GAAP. The effects of these differences need not be quantified. (Ref: par. ~~.A28~~***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. ~~.A31~~***A32***)

.19 In the case of financial statements prepared in accordance with ~~a contractual basis of accounting~~ ***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.

.20 ***In the case of an accountant's compilation report on special purpose financial statements,*** ~~The accountant's compilation report on financial statements prepared in accordance with a special purpose framework should~~

~~a.~~ ***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 ~~management's~~ ***its*** responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances ~~management has a choice of financial reporting frameworks in the preparation of such financial statements~~.

~~b. describe the purpose for which the financial statements are prepared or refer to a note in the financial statements that contains that information when the financial statements are prepared in accordance with a regulatory- or contractual-basis of accounting. (Ref: par. .A32)~~

.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. A33–.A34)***

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.

[No amendment to paragraphs .22–.23.]

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

[No amendment to paragraphs .24–.25.]

.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 ~~unless the omission of substantially all disclosures is not, to the accountant's knowledge, undertaken with the intention of misleading those who might reasonably be expected to use such financial statements~~ ***if, in the accountant's professional judgment, such financial statements would be misleading to users of the financial statements***. (Ref: par. .~~A21~~***A20***)

[No amendment to paragraphs .27–.40 and .A1–.A4.]

Definitions

~~**.A5** 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 GAAP but does not comply with all of the requirements of GAAP. Such frameworks are regulatory bases of accounting, as defined in paragraph .05. In some circumstances, however, the cash- or tax-basis of accounting may be permitted by a regulator.~~

~~For purposes of this section, the cash and tax bases of accounting are not regulatory bases of accounting.~~

[Paragraphs .A6–.A27 are renumbered to paragraphs .A5–.A26. The content is unchanged.]

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

.A27 ***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.***

.A28 ***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 financial reporting framework on which the special purpose framework is based. In the example of the contract in paragraph .A27, 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.***

[Paragraphs .A28–.A31 are renumbered to paragraphs .A29–.A32. The content is unchanged.]

~~**.A32** When the financial statements are prepared in accordance with a regulatory- or contractual-basis of accounting, the accountant is required by paragraph .20b to describe the purpose for which the financial statements are prepared or refer to a note in the financial statements that contains that information. This is necessary to avoid misunderstandings when the financial statements are used for purposes other than those for which they were intended. The note to the financial statements may also describe any significant interpretations of the contract on which the financial statements are based.~~

.A33 ***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.***

.A34 ***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.

[Paragraphs.A33–.A48 are renumbered to paragraphs .A35–.A50. The content is unchanged.]

[No further amendment to AR-C section 80.]

3. This amendment is effective for compilations of financial statements for periods ending on or after December 15, 2021. Early implementation is permitted.

AR-C Section 90*, Review of Financial Statements*

[No amendment to paragraphs .01–.02.]

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 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.***

.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.***

.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 .03 is renumbered to paragraph .06. The content is unchanged.]

Objective*s*

.04 ~~*.07*~~ ***In conducting a review of financial statements,*** ~~T~~***t***he objective***s*** of the accountant ~~when performing a review of financial statements is~~ ***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~~, primarily through the performance of inquiry and analytical procedures.~~ ***and*** (Ref: par. .A4~~–.A9~~)

b. ***report on the financial statements as a whole and communicate, as required by this section.***

Definitions

~~.05~~ *.08* For purposes of Statements on Standards for Accounting and Review Services (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.~~

…

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. .A5)***

…

Modified conclusion. ***A qualified conclusion or an adverse conclusion.***

…

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.***

…

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 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 commission). (Ref: par. .A10)~~
- ~~*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.~~

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

…

[Paragraphs .06–.07 are renumbered to paragraphs .09–.10. The content is unchanged.]

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. .A11–.A15)***

Acceptance and Continuance of Client Relationships and Review Engagements

[Paragraph .08 is renumbered to paragraph .12. The content is unchanged.]

~~.09~~ *.13* As a condition for accepting an engagement to review an entity's financial statements, in addition to the requirements in paragraph .26 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 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. .A16)

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. .~~A82~~***A115***)

ii. a description of any significant interpretations of the contract on which the special purpose financial statements are ~~prepared~~ ***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. .A17)

[Paragraph .10 is renumbered to paragraph .14. The content is unchanged.]

.15 ***If it is discovered after the engagement has been accepted that the accountant is not satisfied regarding any of the preconditions in paragraph .26 of AR-C 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***

Agreement on Engagement Terms

.11 *.16* The accountant should agree upon the terms of the engagement with management or those charged with governance, as appropriate***, prior to performing the engagement***. 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. .A18–.A23)

a. The objectives of the engagement

b. The responsibilities of management set forth in paragraph .26~~c~~**b** of section 60 and paragraph .~~09~~ ***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

[Paragraphs .12–.13 are renumbered to paragraphs .17–.18. The content is unchanged.]

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. .A31–.A34)***

.*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. .A35)***

[Paragraphs .14–.16 are renumbered to paragraphs .21–.23. The content is unchanged.]

Designing and Performing Review Procedures

.17 *.24* The accountant should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to obtain ***sufficient appropriate review evidence*** ~~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 based on the accountant's (Ref: par. .~~A34~~***A39***)

a. understanding of the industry,

b. knowledge of the entity, and

c. awareness of the risk that the accountant may unknowingly ***issue an inappropriate*** ~~fail to modify the~~ accountant's review report ~~on financial statements that are materially misstated~~. (Ref: par. .~~A35~~***A40***)

.18 ~~.~~*25* ***In obtaining sufficient appropriate review evidence as the basis for a conclusion on the financial statements as a whole,*** ~~T~~***t***he accountant should ~~focus~~ ***design and perform*** the analytical procedures and inquiries ***to address the following: (Ref: par. .A41)***

a. ***All material items in the financial statements, including disclosures***

b. ~~in those a~~***A***reas ***in the financial statements*** where the accountant believes there are increased risks of material misstatements~~.~~

[Paragraphs .19–.21 are renumbered to paragraphs .26–.28. The content is unchanged.]

Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters

.22 ~~.~~*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. .~~A44~~***A50***)

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.***

~~*b*~~**c**. ***whether there are significant,*** unusual***,*** or complex ~~situations~~ ***transactions, events, or matters*** that ~~may~~ have ***affected or may affect*** ~~an effect on~~ the ***entity's*** financial statements***, including the following:*** (Ref: par. .~~A45~~***A51***)

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

~~*c*. significant transactions occurring or recognized during the period, particularly those in the last several days of the period.~~

~~*d*. the status of uncorrected misstatements identified during the previous review (that is, whether adjustments had been recorded subsequent to the periods covered by the prior review and, if so, the amounts recorded and period in which such adjustments were recorded).~~

~~*e*~~**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. .A52)

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*** ~~could have a material effect on the fair presentation of such~~ financial statements.

~~*g*. its knowledge of any fraud or suspected fraud affecting 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. (Ref: par. .A46)~~

~~*h*. whether management is aware of allegations of fraud or suspected fraud affecting the entity communicated by employees, former employees, regulators, or others.~~

~~*i*. whether management has disclosed to the accountant all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing 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.***

~~*j.* significant journal entries and other adjustments.~~

k. communications from regulatory agencies, if applicable.

~~*l.* related parties and significant new related party transactions.~~

~~*m*~~**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.

~~*n.* whether management believes that significant assumptions used by it in making accounting estimates are reasonable.~~

~~*o*~~**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. .~~A47~~***A53***)

~~*p*~~**n**. any other matters that the accountant may consider necessary.

[Paragraphs .23–.24 are renumbered to paragraphs .30–.31. The content is unchanged.]

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.***

.*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. .A54)***

b. ***Whether related parties could be involved***

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:***

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. .A55)***

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. .A56)***

.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.***

.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. .A57)***

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.***

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. .A58–.A59)***

a. ***Whether the going concern basis of accounting is appropriate***

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***

.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. .A60–.A61)***

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. .A62)***

c. ***Consider the adequacy of the disclosure about such matters in the financial statements. (Ref: par. .A63)***

Using the Work of Other*s* ~~**Accountants**~~

.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.***

[Paragraphs .25–.26 are renumbered to paragraphs .40–.41. The content is unchanged.]

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. .A65–.A69)***

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.***

Evaluating *Review* **Evidence Obtained From the Procedures Performed**

~~**.27** The accountant should accumulate uncorrected misstatements, including inadequate disclosure, identified by the accountant in performing the review procedures or brought to the accountant's attention during the performance of the review.~~

~~**.28** The accountant should evaluate whether the uncorrected misstatements accumulated in accordance with paragraph .27 are, individually and in the aggregate, material to the financial statements in order to determine whether any modifications should be made to the financial statements for them to be in accordance with the applicable financial reporting framework. (Ref: par. .A6 and .A49–.A50)~~

.29 ~~*43*~~ 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.

~~**.30** If the accountant believes that the financial statements may be materially misstated, the accountant should perform additional procedures deemed necessary to obtain limited assurance that there are no 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.~~

.31 ~~*44*~~ The accountant should evaluate whether sufficient appropriate review evidence has been obtained from the procedures performed and, if ~~not~~ ***sufficient appropriate review evidence has not been obtained from the procedures performed***, the accountant should perform other procedures ~~judged by the accountant to be~~ ***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. .~~A51~~***A70***)

.45 ***If the accountant is not able to obtain sufficient appropriate review evidence to form a conclusion, the accountant should withdraw from the engagement.***

Subsequent Events and Subsequently Discovered Facts

Subsequent Events

.46 ***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. .A71)

.47 ***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 .66–.69.***

Subsequently Discovered Facts That Become Known to the Accountant Before the Report Release Date

.48 ***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.***

.49 ***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 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.***

.50 ***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.***

Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date

.51 ***If a subsequently discovered fact becomes known to the accountant after the report release date, the accountant should (Ref: par. .A72–.A73)***

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.***

.52 ***If management revises the financial statements, the accountant should do the following:***

a. ***Apply the requirements of paragraph .49.***

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 .53. (Ref: par. .A74)***

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 .85–.86,***

i. the date of the accountant's previous report,

ii. a description of the revisions, and

iii. the substantive reasons for the revisions.

.53 ***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 .53*****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 .54. (Ref: par. .A73)***

.54 ***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 .52*****b*** ***or paragraph .53*****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. .A75–.A78)***

Written Representations

[Paragraphs .32–.33 are renumbered to paragraphs .55–.56. The content is unchanged.]

Specific Written Representations

~~.34~~.*57* 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,*** ~~stating that~~ ***including the following***: (Ref: par. ~~.A56~~***A83*** ~~.A62~~***A89***)

a. Management has fulfilled its responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework~~, as set out in the terms of the engagement~~.

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.***

~~*c*~~**d**. Management has provided the accountant with all relevant information and access ***to information***, as agreed upon in the terms of the engagement.

~~*d*.~~**e.** Management has responded fully and truthfully to all of the accountant's inquiries.

~~*e*. all transactions have been recorded and are reflected in the financial statements.~~

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.***

~~*f*~~**g.** Management has disclosed to the accountant ***significant facts relating to any*** ~~its knowledge of~~ fraud or suspected fraud ***known to management that may have*** ~~affecting~~ ***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.

~~*g*~~**h**. Management has disclosed to the accountant ***significant facts relating to*** ~~its knowledge of~~ any allegations of fraud or suspected fraud ***known to management that may have*** ~~affecting~~ ***affected*** the entity's financial statements communicated by employees, former employees, regulators, or others.

~~*h*~~**i**. Management has disclosed to the accountant all known ***actual or possible*** instances of noncompliance ~~or suspected 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 framework***

requires adjustment or disclosure, and it has made the necessary adjustments or disclosures.

~~*i*~~**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.

~~*j*~~**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.

~~*k*~~**n**. Management has disclosed to the accountant whether it believes that significant assumptions it used in making accounting estimates are reasonable.

~~*l.* management has disclosed to the accountant the identity of the entity's related parties and all of the related party relationships and transactions of which it is aware, and it has appropriately accounted for and disclosed such relationships and transactions.~~

~~*m.* management has disclosed to the accountant all information relevant to use of the going concern assumption in the financial statements.~~

~~*n.* management has properly accounted for all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure.~~

[Paragraphs .35–.37 are renumbered to paragraphs .58–.60. The content is unchanged.]

Forming the Accountant's Conclusion on the Financial Statements

Consideration of the Applicable Financial Reporting Framework in Relation to the Financial Statements

.61 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. .A93–.A94)***

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.

.62 ***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. .A95–.A96)***

.63 ***The accountant's consideration should also include the following:***

a. ***The overall presentation, structure, and content of the financial statements***

b. ***Whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (Ref: par. .A97)***

Form of the Conclusion

Unmodified Conclusion

.64 ***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.***

.65 ***When the accountant expresses an unmodified conclusion, the accountant should, unless required by law or regulation, use the following language:***

Based on my (our) review, I am (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****].***

Modified Conclusion

.66 ***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.***

.67 ***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 review report immediately before the conclusion paragraph (referred to as the* basis for conclusion paragraph*).***

Financial Statements Are Materially Misstated

.68 ***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. .A98)***

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***

.69 ***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 my (our) review, except for the effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with [*the applicable financial reporting framework*].***

.70 ***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 my (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*].***

.71 ***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 .38 is renumbered to paragraph .72. The content is unchanged.]

Accountant's Review Report

.39*73* The written review report should include the following: (Ref: par. .~~A81~~***A115***)

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. .~~A69~~***A102***)

b. An addressee, ~~as appropriate for~~ ***based on*** the circumstances of the engagement (Ref: par. .~~A70~~***A103***)

c. An introductory paragraph that (Ref: par. .~~A71~~***A104***–.~~A73~~***A106***)

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

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. ~~.A74~~***A107***)

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. ~~.A75~~***A108***–~~.A77~~***A110***)

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 .64–.71, as appropriate, and that identifies the country of origin of the financial reporting framework, if applicable*** ~~a statement about whether the accountant is 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 and that identifies the country of origin of those accounting principles, if applicable (Ref: par. .A50)~~

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 .66–.71, 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. .A111)

g*h.* The signature of the accountant's firm

h*i*. The city and state where the accountant practices (Ref: par. ~~.A78~~***A112***)

i*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 basis for the***

accountant's conclusion on the financial statements, including being satisfied that ~~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, including evidence 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*** ~~they have~~ taken responsibility for those financial statements (Ref: par. ~~.A79~~***A113*** ~~.A80~~***A114***)

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

[Paragraph .40 is renumbered to paragraph .74. The content is unchanged.]

~~.41~~ *~~75~~* In the case of financial statements prepared in accordance with ~~a contractual basis of accounting~~ ***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.

~~.42~~ *~~76~~* ***In the case of an accountant's review report on special purpose financial statements,*** ~~The accountant's review report on financial statements prepared in accordance with a special purpose framework should~~ ***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*** ~~*a.*~~ make reference to ~~management's~~ ***its*** responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances ~~when management has a choice of financial reporting frameworks in the preparation of such financial statements~~.

~~*b.* describe the purpose for which the financial statements are prepared or refer to a note in the financial statements that contains that information when the financial statements are prepared in accordance with a regulatory or contractual basis of accounting. (Ref: par. .A85)~~

~~.43~~ *~~77~~* 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. .A121–.A122)***

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.

.44 ~~–.78~~ ***If the special purpose financial statements are prepared in accordance with the contractual basis of accounting, t*** ~~T~~The accountant's review report ~~on special purpose financial statements~~ should include, in accordance with paragraph .~~54~~***95***, an other-matter paragraph, under an appropriate heading, that, in accordance with paragraphs .~~61~~***97***–.~~62~~***98***, restricts the use of the accountant's review report***.*** ~~when the special purpose financial statements are prepared in accordance with~~ (Ref: par. .~~A86~~***A123***)

~~*a.* a contractual basis of accounting,~~

~~*b.* a regulatory basis of accounting, or~~

~~*c.* an other basis of accounting when required pursuant to paragraph .61*a*–*b*.~~

[Paragraphs .45–.50 are renumbered to paragraphs .79–.84. The content is unchanged.]

~~**Communicating to Management and Others Regarding Fraud or Noncompliance With Laws and Regulations**~~

~~**.51** If the accountant becomes aware that fraud (including misappropriation of assets) may have occurred, the accountant should communicate the matter as soon as practicable to the appropriate level of management (at a level above those involved with the suspected fraud, if possible). If the accountant becomes aware of matters involving identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements, the accountant should communicate the matters to management, other than when matters are clearly inconsequential. 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. If management or, as appropriate, those charged with governance do not provide sufficient information that supports that (Ref: par. .A91–.A93)~~

~~*a.* the financial statements are not materially misstated due to fraud or~~

~~*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~~

~~the accountant should consider the need to obtain legal advice and take appropriate action, including potential withdrawal. (Ref: par. .A94)~~

Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report

Emphasis-of-Matter Paragraphs in the Accountant's Review Report

.52 *.85* 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*** does not believe that ***the accountant is not aware of any material modifications that should be made to*** the financial statements may be materially misstated ***with respect to such matter***. Such a paragraph should refer only to information presented or disclosed in the financial statements. (Ref: par. .A95***A128***–.A97***A130***)

.53 *.86* When the accountant includes an emphasis-of-matter paragraph in the accountant's review report, the accountant should ***do the following:***

a. include it immediately after the accountant's conclusion paragraph in the accountant's review report,

*b***a**. ***Include the paragraph within a separate section of the accountant's report with*** use the heading "Emphasis of a Matter" or other appropriate heading**.** (Ref: par. .A98***A131–.A132***)

*c***b**. include ***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.*** and

*d***c**. indicate ***Indicate*** that the accountant's conclusion is not modified with respect to the matter emphasized. (Ref: par. .A99***A133***)

Other-Matter Paragraphs in the Accountant's Review Report

.54 *.87* 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 do so in ***include*** a***n other-matter*** paragraph in the accountant's review report.

.88 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. The accountant should include this paragraph immediately after the accountant's conclusion paragraph and any emphasis-of-matter paragraph. (Ref: par. .A95***A128***, .A98***A131***, and .A100***A134***–.A102***A136***)

[Paragraph .55 is renumbered to paragraph .89. The content is unchanged.]

Correction of a Material Misstatement in Previously Issued Financial Statements

.90 ***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 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. .A139–.A141)

.91 ***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. .A142)***

.92 ***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 .66–.69.***

Other Reporting Responsibilities

.93 ***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. .A143)***

~~**Known Departures From the Applicable Financial Reporting Framework**~~

~~**.56** 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 if the financial statements are not revised, the accountant should consider whether modification of the standard report is adequate to disclose the departure.~~

~~**.57** If the accountant concludes that modification of the standard report is adequate, the departure should be disclosed in a separate paragraph of the report under the heading "Known Departures From the [*identify the applicable financial reporting framework*]," including disclosure of the effects of the departure on the financial statements if such effects have been determined by management or are known to the accountant as the result of the accountant's procedures. (Ref: par. .A105 and .A110)~~

~~**.58** 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 a departure; however, in such circumstances, the accountant should state in the report that such determination has not been made.~~

~~**.59** If the accountant believes that modification of the standard report is not adequate to indicate the deficiencies in the financial statements as a whole, the accountant should withdraw from the review engagement. (Ref: par. .A106)~~

~~**.60** The accountant should not modify the standard report to include a statement that the financial statements are not in accordance with the applicable financial reporting framework. (Ref: par. .A107–.A109)~~

[Paragraphs .61–.64 are renumbered to paragraphs .94–.97. The content is unchanged.]

~~**Inquiry Concerning an Entity's Ability to Continue as a Going Concern**~~

~~**.65** 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. .A116─.A117)~~

~~*a.* Whether the going concern basis of accounting is appropriate~~

~~*b.* Management's evaluation of whether there are conditions or events that raised substantial doubt about the entity's ability to continue as a going concern~~

~~*c.* If there are conditions or events that raised 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~~

~~**.66** 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. .A118–.A119)~~

~~***a.*** Inquire of management whether the going concern basis of accounting is appropriate.~~

~~***b.*** Inquire of management about its plans for dealing with the adverse effects of the conditions and events. (Ref: par. .A120)~~

~~***c.*** Consider the adequacy of the disclosure about such matters in the financial statements. (Ref: par. .A121)~~

~~**Consideration of the Effects on**~~ *Implications for* **the Accountant's Review Report** *When Substantial Doubt Exists About the Entity's Ability to Continue as a Going Concern*

.67 ~~–~~*98* 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 ~~an emphasis-of-matter paragraph~~ ***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. .~~A123–.A125~~***A149–.A155***)

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***

~~.68~~ *~~.99~~* The ~~emphasis-of-matter paragraph~~ ***description in the "Going Concern" section*** about the entity's ability to continue as a going concern for a reasonable period of time should ~~be expressed through the use of~~ ***use*** terms consistent with those included in the applicable financial reporting framework. ~~In a going concern emphasis-of-matter paragraph, the~~ ***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. ~~.A126~~***A154***)

~~.69~~ *~~.100~~* 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. ~~apply paragraphs .56—.60 regarding known departures from the applicable financial reporting framework~~ ***Express a qualified or adverse conclusion, as appropriate, in accordance with paragraphs .68–.71***.

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.

Management Unwilling to Perform or Extend Its Evaluation

.*101* ***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 the accountant, the accountant should consider the implications for the accountant's review report. (Ref: par. .A115)***

~~Subsequent Events and Subsequently Discovered Facts~~

~~Subsequent Events~~

.70 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. .A127)

.71 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 .56–.60.

Subsequently Discovered Facts That Become Known to the Accountant Before the Report Release Date

.72 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 so, inquire how management intends to address the matter in the financial statements.

.73 If management revises the financial statements, the accountant should perform the review procedures necessary in the circumstances on the revision. The accountant also should either

a. date the accountant's review report as of a later date or

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 subsequent to the original date of the accountant's review report are limited solely to the revision of the financial statements described in the relevant note to the financial statements.

.74 If management does not revise the financial statements in circumstances when the accountant believes they need to be revised, the accountant should modify the accountant's review report, as appropriate.

Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date

.75 If a subsequently discovered fact becomes known to the accountant after the report release date, the accountant should (Ref: par. .A128–.A129)

a. discuss the matter with management and, when appropriate, those charged with governance and

b. determine whether the financial statements need revision and, if so, inquire how management intends to address the matter in the financial statements.

.76 If management revises the financial statements, the accountant should

a. apply the requirements of paragraph .72.

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 .76. (Ref: par. .A129)

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 .52–.53

i. the date of the accountant's previous report,

ii. a description of the revisions, and

iii. the substantive reasons for the revisions.

.77 If management does not revise the financial statements in circumstances when the accountant believes they need to be revised, then

a. if the reviewed financial statements have not been made available to third parties, the accountant should 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 .76*b*.

b. if the reviewed financial statements have been made available to third parties, the accountant should 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 .77. (Ref: par. .A127)

.78 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 .75*b* or paragraph .76*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. .A131–.A134)~~

[Paragraphs .79–.93 are renumbered to paragraphs .102–.116. The content is unchanged.]

Review Documentation

.94 *.117* ***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. .~~A151~~***A171***–.~~A155~~***A175***)

a. ~~t~~***T***he nature, timing, and extent of the review procedures performed to comply with SSARSs~~;~~

b. ~~t~~***T***he ~~results of~~ ***review evidence obtained from*** the review procedures performed and the ~~review evidence obtained~~ ***accountant's conclusions formed on the basis of that review evidence***~~; and~~

c. ~~s~~***S***ignificant ~~findings or issues~~ ***matters*** arising during the review, the ***accountant's*** conclusions reached thereon, and significant professional judgments made in reaching those conclusions~~.~~

.95 *.118* In addition to the requirements in paragraph .~~94~~***117***, the review documentation should include the following:

a. The engagement letter or other suitable form of written documentation with management, as described in paragraphs .~~11~~***16***–.~~12~~–***17*** (Ref: par. .~~A20~~***A19*** and .~~A22~~***A21***)

~~*b.* Communications to management and others regarding fraud or noncompliance with laws and regulations as required by paragraph .51~~

~~*c*~~**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 .~~55~~ ***89***

~~*d*~~**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 .~~79~~ ***102***

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

~~*e*~~**f.** The representation letter

~~*f*~~**g.** A copy of the reviewed financial statements and the accountant's review report thereon

.119 ***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 for the purpose of quality control for the engagement and the date and extent of the review***

Application and Other Explanatory Material

Introduction ~~(Ref: par. 03)~~

[No amendment to paragraphs .A1–.A3.]

Objective*s* (Ref: par. .~~04~~*07* ~~and .28~~)

[No amendment to paragraph .A4.]

~~**Materiality**~~

~~**.A5** The accountant's consideration of materiality is made in the context of the applicable financial reporting framework. Some financial reporting frameworks 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 they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;~~
- ~~judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement or a combination of both; and~~
- ~~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.~~

~~**.A6** If present in the applicable financial reporting framework, a discussion of the concept of materiality provides a frame of reference to the accountant in determining, as required by paragraph .28, whether there are 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. If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph .A5 provide the accountant with such a frame of reference.~~

~~**.A7** The accountant's determination of materiality is a matter of professional judgment and is affected by the accountant's perception of the needs of the intended users of the financial statements. In this context, it is reasonable for the accountant to assume that 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 economic decisions on the basis of the information in the financial statements.~~

~~Further, unless the review engagement is undertaken for financial statements that are intended to meet the particular needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.~~

~~**.A8** 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.~~

~~**Revising Materiality**~~

~~**.A9** 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~~

- ~~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 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).~~

Definitions (Ref: par. .~~05~~*08*)

.A5 ***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 .A10 is renumbered to paragraph .A6. The content is unchanged.]

~~**.A11** 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 GAAP but does not comply with all of the requirements of GAAP. Such frameworks are regulatory bases of accounting, as defined in paragraph .05. In some circumstances, however, the cash or tax basis of accounting may be permitted by a~~

~~regulator. For purposes of this section, the cash and tax bases of accounting are not regulatory bases of accounting.~~

[Paragraphs .A12–.A15 are renumbered to paragraphs .A7–.A10. The content is unchanged.]

Professional Skepticism ***(Ref: par. .11)***

.A11 ***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***

.A12 ***Maintaining professional skepticism throughout the review is necessary if the accountant is, for example, to reduce the risks of***

- ***overlooking unusual circumstances.***
- ***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.***

.A13 ***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.***

.A14 ***The accountant may accept records and documents as genuine unless the accountant has reason to believe the contrary.***

.A15 ***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.***

[No amendment to paragraphs .A16–.A30.]

Performing the Engagement

Materiality in a Review of Financial Statements (Ref: par. .19)

.A31 ***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.***

.A32 ***If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph .A31 provide the accountant with such a frame of reference.***

.A33 ***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 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.***

.A34 ***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.***

.A35 ***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)***

[Paragraphs .A31–.A33 are renumbered to paragraphs .A36–.A38. The content is unchanged.]

Designing and Performing Review Procedures (Ref: par. .~~17~~*25–.26*)

[Paragraphs .A34–.A35 are renumbered to paragraphs .A39–.A40. The content is unchanged.]

.A41 Both quantitative and qualitative factors are considered when determining which items are material to the financial statements, including disclosures, and which 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.

[Paragraphs .A36–.A43 are renumbered to paragraphs .A42–.A49. The content is unchanged.]

Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters (Ref: par. .~~22~~*29*)

[Paragraph .A44 is renumbered to paragraph .A50. The content is unchanged.]

.~~A45~~ *.A51* ***Additional examples*** ~~Examples~~ of unusual or complex ~~situations~~ ***transactions, events, or matters*** about which the accountant may inquire of management are ***as follows:*** ~~contained in appendix B, "Unusual or Complex Situations to Be Considered by the Accountant When Performing Inquiry Procedures in a Review of Financial Statements."~~

- ***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***

[Paragraphs .A46–.A47 are renumbered to paragraphs .A52–.A53. The content is unchanged.]

Procedures to Address Specific Circumstances

Related Parties

Understanding the Nature of Significant Transactions Outside the Normal Course of Business (Ref: par. .33*a*)

.A54 ***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.***

Fraud and Noncompliance With Laws or Regulations (Ref: par. .34)

.A55 ***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.***

.A56 ***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.

.A57 ***The accountant may consider whether withdrawal from the engagement is necessary when***

- ***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.

Going Concern (Ref: par. .37–.38)

.A58 ***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.***

.A59 ***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).***

.A60 ***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.***

.A61 ***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 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***

.A62 ***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

---

[4] ***The FASB ASC Master Glossary defines*** **probable** ***as "the future event or events are likely to occur."***

[5] ***"Pending Content" in FASB ASC 205-40-55-3.***

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

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

.A63 ***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 .A48 is renumbered to paragraph .A64. The content is unchanged.]

Additional Procedures When the Accountant Becomes Aware That the Financial Statements May Be Materially Misstated (Ref: par. .42)

.A65 ***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.***

.A66 ***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.***

.A67 ***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***

.A68 ***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:***

- ***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***

.A69 ***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 .45, withdraw from the engagement

Evaluating *Review* **Evidence Obtained From the Procedures Performed (Ref: par. .~~28, .31, and .39f~~*44*)**

~~**.A49** Considerations that may affect the evaluation of whether uncorrected misstatements, individually or in the aggregate, are material include the following:~~

- ~~The nature, cause (if known), and amount of the misstatements~~
- ~~Whether the misstatements originated in the preceding year~~

- ~~The potential effect of the misstatements on future periods~~
- ~~The appropriateness of offsetting a misstatement of an estimated amount with a misstatement of an item capable of precise measurement~~
- ~~Recognition that an accumulation of immaterial misstatements in the balance sheet could contribute to material misstatements in future periods~~

~~.A50~~ ~~The accountant's reporting responsibilities when the accountant concludes that the financial statements are materially misstated are addressed in paragraphs .56–.60 with respect to known departures from the applicable financial reporting framework.~~

~~.A51~~ *A70* In some circumstances, the accountant may not have obtained the ***review*** 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 ~~practitioner~~ ***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 matter***~~(~~s~~)~~ that cause~~s~~ the accountant to believe the financial statements may be materially misstated.

Subsequent Events and Subsequently Discovered Facts

Subsequent Events (Ref: par. .46)

.A71 ***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***

Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date (Ref: par. .51–.54)

.A72 ***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 .51–.54 apply, even if the accountant has withdrawn or been discharged.***

.A73 ***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 .51b, 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.***

.A74 ***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.***

.A75 ***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 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.***

.A76 ***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.***

.*A77* ***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.***

.*A78* ***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 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.***

[Paragraphs .A52–.A65 are renumbered to paragraphs .A79–.A92. The content is unchanged.]

Forming the Accountant's Conclusion on the Financial Statements

Consideration of the Applicable Financial Reporting Framework in Relation to the Financial Statements ***(Ref: par. .61–.63)***

.*A93* ***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.***

.*A94* ***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.***

.A95 ***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 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***

.A96 ***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.***

Evaluation of Whether the Financial Statements Achieve Fair Presentation *(Ref: par. .63*b*)*

.A97 ***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.***

Financial Statements Are Materially Misstated *(Ref: par. .68)*

.A98 ***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.***

[Paragraphs .A66–.A68 are renumbered to paragraphs .A99–.A101. The content is unchanged.]

Accountant's Review Report (Ref: par. .~~39~~*73*)

[Paragraphs .A69–.A77 are renumbered to paragraphs .A102–.A110. The content is unchanged.]

Basis for Modification Paragraph When the Conclusion Is Modified

.A111 ***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.***

[Paragraphs .A78–.A81 are renumbered to paragraphs .A112–.A115. The content is unchanged.]

Accountant's Review Report on Financial Statements Prepared in Accordance With a Special Purpose Framework (Ref: par. .~~09~~*13*, .~~40~~*74*, and .~~44~~*.77–.78*)

.A116 ***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 .68–.69 apply.***

.A117 ***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 financial reporting framework on which the special purpose framework is based. In the example of the contract in paragraph .A116, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract. The requirements in paragraphs .77–.78 are designed to avoid misunderstandings about compliance with the general purpose framework.***

[Paragraphs .A82–.A84 are renumbered to paragraphs .A118–.A120. The content is unchanged.]

~~**.A85** When the financial statements are prepared in accordance with a regulatory or contractual basis of accounting or an other basis of accounting that requires an alert that restricts the use of the accountant's review report pursuant to paragraph .61*a–b*, the accountant is required by paragraph .42 to describe the purpose for which the financial statements are prepared or refer to a note in the financial statements that contains that information. This is necessary to avoid misunderstandings when the financial statements are used for purposes other than those for which they were intended. The note to the financial statements may also describe any significant interpretations of the contract on which the financial statements are based.~~

.A121 ***Special purpose financial statements may be used for purposes other than those for which they were intended. To avoid misunderstandings, paragraph .77 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.

.A122 ***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 .77 is designed to avoid misunderstandings about the framework used to prepare the financial statements.***

~~**.A86** *A123* When use of the accountant's review report is restricted, the intended users are the specified parties. The restriction on use of the accountant's review report is necessary due to the nature of the report and the potential for the report to be misunderstood when taken out of the context in which it was intended to be used. For example, special purpose financial statements prepared in accordance with a contractual basis of accounting are developed for and directed only to the parties to the contract or agreement. Paragraphs .63–.64 address the addition of other parties as specified parties.~~ ***If the special purpose financial statements are prepared in accordance with a contractual basis of accounting, paragraph .78 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 .94–.95. 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.***

[Paragraphs .A87–.A90 are renumbered to paragraphs .A124–.A127. The content is unchanged.]

~~**Communicating to Management and Others Regarding Fraud or Noncompliance With Laws and Regulations (Ref: par. .51)**~~

~~**.A91** 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.~~

~~**.A92** The disclosure of any evidence or information that comes to the accountant's attention during the performance of review procedures that fraud or noncompliance with laws or regulations may have occurred to parties other than the entity's senior management (or those charged with governance, if applicable) ordinarily is not part of the accountant's responsibility and, ordinarily, would be precluded by the accountant's ethical or legal obligations of confidentiality.~~

~~**.A93** A duty to disclose to parties outside of the entity may exist in the following circumstances:~~

- ~~To comply with certain legal and regulatory requirements~~
- ~~To a successor accountant when management has given permission for communication between the predecessor accountant and the successor accountant~~

- ~~In response to a subpoena~~

~~In such circumstances, the accountant may consider it appropriate to consult with legal counsel.~~

~~**.A94** The accountant may consider whether withdrawal from the engagement is necessary when~~

- ~~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.~~

Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report (Ref: par. .~~52~~ *85* and .~~54~~*87*)

.~~A95~~ *~~A128~~* 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 .52c 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 .~~43~~***77***–.~~44~~***78*** with respect to financial statements prepared in accordance with a special purpose framework
- In accordance with paragraph .~~49~~ ***83*** 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 .~~50~~ ***84*** with respect to reporting on comparative financial statements when the prior period is audited
- ~~In accordance with paragraph .57 with respect to reporting a known departure from the applicable financial reporting framework that is material to the financial statements~~
- ~~In accordance with paragraph .75*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 paragraph .98 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 .~~80~~ ***103*** with respect to supplementary information that accompanies reviewed financial statements and the accountant's review report thereon
- In accordance with paragraph .~~83~~ ***104*** with respect to required supplementary information

Emphasis-of-Matter Paragraphs in the Accountant's Review Report (Ref: par. .~~52~~*85*–.~~54~~*86*)

.~~A96~~*A129* In addition to the required emphasis-of-matter paragraphs listed in paragraph .~~A95~~***A128***, the following are examples of circumstances when the accountant may consider it necessary to include an emphasis-of-matter paragraph:

- ~~An uncertainty regarding the entity's ability to continue as a going concern for a reasonable period of time~~
- 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
- Significant transactions with related parties
- Unusually important subsequent events

[Paragraphs .A97–.A98 are renumbered to paragraphs .A130–.A131. The content is unchanged.]

.A132 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.

.~~A99~~ *A133* 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 .66–.71 when required by the circumstances of a specific review engagement***

- ~~disclosures~~ ***Disclosures*** in the financial statements that the applicable financial reporting framework requires management to make~~.~~

- ***Reporting in accordance with paragraphs .98–.101 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***

[Paragraphs .A100–.A104 are renumbered to paragraphs .A134–.A138. The content is unchanged.]

Correction of a Material Misstatement in Previously Issued Financial Statements (Ref: par. .90–.91)

.A139 ***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.***

.A140 ***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.***

.A141 ***Paragraphs .51–.52 address the accountant's responsibilities when adjustments have been made to correct a material misstatement in previously issued financial statements.***

.A142 ***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.

Other Reporting Responsibilities (Ref: par. .93)

.A143 ***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.***

~~**Known Departures From the Applicable Financial Reporting Framework (Ref: par. .57 and .59–.60)**~~

~~**.A105** Examples of headings that an accountant may use to disclose departures from an applicable financial reporting framework in the accountant's review report include the following:~~

- ~~Known Departures From Accounting Principles Generally Accepted in the United States of America~~
- ~~Known Departures From International Financial Reporting Standards as Promulgated by the International Accounting Standards Board~~
- ~~Known Departures From the Cash-Basis of Accounting~~
- ~~Known Departures From the Tax-Basis of Accounting~~

~~**.A106** Prior to withdrawing from a review engagement in those circumstances when the accountant believes that modification of the standard report is not adequate to indicate the deficiencies in the financial statements as a whole, the accountant may wish to consult with legal counsel.~~

.A107 Including a statement that the financial statements are not in accordance with the applicable financial reporting framework would be tantamount to expressing an adverse opinion on the financial statements. Such an opinion can be expressed only in the context of an audit engagement. Furthermore, such a statement in an accountant's review report may confuse users because it would contradict the statement required in paragraph .39*f* about 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.

.A108 Depending on the accountant's assessment of the possible dollar magnitude of the effect of the departures, the significance of the affected items to the entity, the pervasiveness and overall impact of the misstatements, and whether disclosure has been made of the effect of the departures, the accountant may, in accordance with paragraphs .52–.55, include a separate paragraph in the accountant's review report stating the limitations of the financial statements. The following is an illustration of such a separate paragraph with respect to an accountant's review report on financial statements prepared in accordance with accounting principles generally accepted in the United States of America:

Limitations of the financial statements

Because of the significance and pervasiveness of the matters described in the Known Departures From Accounting Principles Generally Accepted in the United States of America paragraphs, we cannot assess their impact on the financial statements. Users of the accompanying financial statements should recognize that they might reach different conclusions about the company's financial position, results of operations, and cash flows if they had access to revised financial statements prepared in accordance with accounting principles generally accepted in the United States of America.

.A109 Inclusion of a separate paragraph, such as that illustrated in paragraph .A104 in the accountant's review report is not a substitute for disclosure of the specific departures or the effects of such departures if such effects have been determined by management or are known as a result of the accountant's procedures.

.A110 Exhibit C, "Illustrations of Accountant's Review Reports on Financial Statements," contains an illustrative example of an accountant's review report that discloses a departure from the applicable financial reporting framework.

[Paragraphs .A111–.A115 are renumbered to paragraphs .A144–.A148. The content is unchanged.]

Inquiry Concerning an Entity's Ability to Continue as a Going Concern (Ref: par. .65—.66)

.A116 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.

.A117 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).

.A118 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.

.A119 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, default on loan or similar agreements, arrearages in dividends, denial of usual trade credit from 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

.A120 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]

[4] The FASB ASC Master Glossary defines probable as "the future event or events are likely to occur."

[5] "Pending Content" in FASB ASC 205-40-55-3.

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 loan 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

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

~~**.A121** 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~~

~~**Consideration of the Effects on**~~ *Implications for* **the Accountant's Review Report** *When Substantial Doubt Exists About the Entity's Ability to Continue as a Going Concern* **(Ref: par. ~~67.~~***98–.99 and .101***)**

~~**[.A122]** [Paragraph renumbered and deleted by the issuance of SSARS No. 24, May 2018.]~~

.A149 ***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.***

~~**.A123**~~*.A150* The following ~~is an~~ ***are*** illustration***s*** 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.*** ~~a going concern emphasis-of-matter paragraph when (*a*) the accountant concludes that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time, (*b*) management's plans do not alleviate the substantial doubt, and (*c*) the entity is required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists~~:

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

~~***Emphasis of Matter Regarding Going Concern***~~ 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 ~~Opinion~~ 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.

~~**.A124** The following is an illustration of a going concern emphasis-of-matter paragraph when (*a*) the accountant concludes that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time, (*b*) management's plans do not alleviate the substantial doubt, and (*c*) the entity is not required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists.~~

~~***Emphasis of Matter Regarding 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 and has a net capital deficiency, which raises substantial doubt about its 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.~~

.A151 ***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 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***.

~~.A125~~*A152* 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 .85–.86,*** 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 .98 to include a separate "Going Concern" section in the accountant's review report.***

~~The following is an illustration of an emphasis-of-matter paragraph when management has disclosed (*a*) conditions or events, considered in the aggregate, that raised substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time; (*b*) its evaluation of the significance of those conditions or events, considered in the aggregate, in relation to the entity's ability to meet its obligations; and (*c*) that the substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time has been alleviated by management's plans.~~

> ~~***Emphasis of Matter Regarding Going Concern***~~
>
> ~~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.~~

.A153 ***As indicated in paragraph .68, 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.***

~~.A126~~ *~~A154~~* Examples of ~~inappropriate use of~~ conditional language ***that are inappropriate to use*** in ~~an emphasis-of-matter~~ ***the "Going Concern" section*** ~~paragraph when the accountant concludes that management has adequately disclosed that conditions or events have been identified and substantial doubt exists~~ include the following:

- If the ~~entity~~ ***Company*** continues to ~~experience~~ ***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 ~~entity~~ ***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.

.A155 ***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 .66–.71 provide guidance related to the modification of the accountant's conclusion.***

~~**Subsequent Events and Subsequently Discovered Facts**~~

~~**Subsequent Events (Ref: par. .69)**~~

~~**.A127** 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~~

~~**Subsequently Discovered Facts That Became Known to the Accountant After the Report Release Date (Ref: par. .74–.77)**~~

~~**.A128** 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 .75–.78 apply, even if the accountant has withdrawn or been discharged.~~

~~**.A129** 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 .74*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 and the date of the accountant's review report released, and any legal implications.~~

.A130 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.

.A131 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 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 upon the accountant's legal and ethical rights and obligations. Consequently, the accountant may consider it appropriate to seek legal advice.

.A132 The actions that the accountant may take to seek to prevent use of the accountant's review report may depend upon 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 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.

.A133 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.

.A134 If the accountant was not able to determine whether the financial statements need revision, the notification to anyone in receipt of the reviewed financial statements may 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 requirement to be detailed in the notification.

[Paragraphs .A135–.A140 are renumbered to paragraphs .A156–.A161. The content is unchanged.]

[.A141] [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.]

[Paragraphs .A142–.A156 are renumbered to paragraphs .A162–.A176. The content is unchanged.]

Appendix B — Unusual or Complex Situations to Be Considered by the Accountant When Performing Inquiry Procedures in a Review of Financial Statements (Ref: par. .A42)

.A157

The following are examples of situations about which the accountant may inquire of management:

- 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~~
- ~~Changes in major contracts with customers or suppliers~~
- ~~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~~
- ~~Changes in related parties or significant new related party transactions~~
- ~~Material off-balance sheet transactions, special purpose entities, and other equity investments~~
- ~~Unique terms for debt or capital stock that could affect classification~~

[Paragraphs .A158–.A159 are renumbered to paragraphs .A177–.A178. The content is unchanged.]

Exhibit C — Illustrations of Accountant's Review Reports on Financial Statements (Ref: par. ~~.A78~~, .A107~~, and .A134~~ *.A115 and .A156*)

~~.A160~~*A179*

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.

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 Disclosing 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***

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.

Independent Accountant's Review Report

[*Appropriate Addressee*]

I (We) have reviewed the accompanying financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X2 and 20X1, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's (owners') financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

Management's Responsibility for the Financial Statements

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements 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

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

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 my (our) reviews, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's review report*]

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.

Independent Accountant's Review Report

[*Appropriate Addressee*]

I (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, I (we) do not express such an opinion.

Management's Responsibility for the Financial Statements

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements 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

My (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 me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

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 my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's review report*]

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.

Independent Accountant's Review Report

[*Appropriate Addressee*]

I (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, I (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

My (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 me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with the basis of accounting the partnership uses for income tax purposes. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (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 my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the partnership uses for income tax purposes.

Basis of Accounting

I (We) draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's review report*]

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*,[1] is not applicable).

Independent Accountant's Review Report

[*Appropriate Addressee*]

I (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, I (we) do not express such an opinion.

Management's Responsibility for the Financial Statements

Management (Owners) is (are) responsible for the preparation and fair presentation of these interim financial statements in accordance with accounting principles generally accepted in the

[1] All AU-C sections can be found in AICPA *Professional Standards*.

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

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the interim financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

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 my (our) review, I am (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 accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's review report*]

Illustration 5 — An Accountant's Review Report on Comparative Financial Statements Disclosing 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.

Independent Accountant's Review Report

[*Appropriate Addressee*]

I (We) have reviewed the accompanying financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X2 and 20X1, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to

the financial statements. A review includes primarily applying analytical procedures to management's (owners') financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

Management's Responsibility for the Financial Statements

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements 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

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

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.

~~***Known Departure From Accounting Principles Generally Accepted in the United States of America***~~ 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 me (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.*

~~***Accountant's***~~ Qualified ***Conclusion***

Based on my (our) reviews, except for the ~~issue noted in the Known Departure From Accounting Principles Generally Accepted in the United States of America~~ ***effect of the matter described in the Basis for Qualified Conclusion*** paragraph, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

~~***Known Departure From Accounting Principles Generally Accepted in the United States of America***~~

~~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 me (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*.~~

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's review report*]

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.

Independent Accountant's Review Report

[*Appropriate Addressee*]

I (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, I (we) do not express such an opinion.

Management's Responsibility for the Financial Statements

Management (Owners) is (are) responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA. We have not reviewed 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. These statements were reviewed by other accountants, whose report has been furnished to me (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 me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

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 my (our) reviews, and the report of other accountants, I am (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 accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's review report*]

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 contain a departure from accounting principles generally accepted in the United States of America that is both material and pervasive to the financial statements due to nonconsolidation of a subsidiary.***

Independent Accountant's Review Report

[*Appropriate Addressee*]

I (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, I (we) do not express such an opinion.

Management's Responsibility for the Financial Statements

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements 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

My (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 me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

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 my (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.

[*Signature of accounting firm or accountant, as appropriate*]

[*Accountant's city and state*]

[*Date of the accountant's review report*]

4. This amendment is effective for reviews of financial statements for periods ending on or after December 15, 2021. Early implementation is permitted.