



Codification of Statements on Standards for Accounting and Review Services

Numbers 21 to 24

As of May 2018



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PREFACE

This publication, issued by the Accounting and Review Services Committee (ARSC), is a codification of Statements on Standards for Accounting and Review Services (SSARs), and the related interpretations of SSARs applicable to performing engagements to prepare financial statements and performing and reporting on compilation and review engagements.

SSARs are issued by ARSC, the senior committee of the AICPA designated to promulgate standards under the "General Standards Rule" (ET sec. 1.310.001) and the "Compliance With Standards Rule" (ET sec. 1.300.001) of the AICPA Code of 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. The "Compliance With Standards Rule" requires an AICPA member who performs engagements to prepare financial statements, compilations or reviews to comply with standards promulgated by the ARSC. Pursuant to paragraph .15 of AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*, an accountant must comply with an unconditional requirement in all cases in which the circumstances exist to which the unconditional requirement is relevant. SSARs use the word "must" to indicate an unconditional requirement. Paragraph .15 of AR-C section 60 further states that an accountant must comply with a presumptively mandatory requirement in all cases in which such a requirement is relevant, except in rare circumstances. SSARs use the word "should" to indicate a presumptively mandatory requirement.

Paragraph .06 of AR-C section 60 defines interpretative publications as interpretations of SSARs; exhibits to SSARs; the AICPA Guide, *Compilation and Review Engagements*, guidance on reviews, compilations, and engagements to prepare financial statements included in AICPA Audit and Accounting Guides; and AICPA Statements of Position, to the extent that those statements are applicable to such engagements. Interpretative publications are not SSARs. Interpretative publications are recommendations on the application of SSARs in specific circumstances, including engagements for entities in specialized industries. An interpretative publication is issued under the authority of the ARSC after all ARSC members have been provided an opportunity to consider and comment on whether the proposed interpretative publication is consistent with SSARs. Pursuant to paragraph .17 of AR-C section 60, the accountant is required to consider applicable interpretative publications in the performance of an engagement in accordance with SSARs.

ACCOUNTING AND REVIEW
SERVICES COMMITTEE

Mike Fleming, Chair
Michael P. Glynn, Senior Technical Manager—
Audit and Attest Standards

WHAT'S NEW IN THIS EDITION

STANDARDS RECENTLY ISSUED

<u>Statement</u>	<u>Title</u>	<u>Issue Date</u>	<u>Section</u>
Statement on Standards for Accounting and Review Services (SSARS) No. 24	<i>Omnibus Statement on Standards for Accounting and Review Services—2018</i>	May 2018	

ADDITIONAL CHANGES

<u>Section</u>	<u>Addition</u>
AR-C 60A, <i>General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services</i>	Addition of section as a result of the issuance of SSARS No. 24.
AR-C 90A, <i>Review of Financial Statements</i>	Addition of section as a result of the issuance of SSARS No. 24.
AR-C 100, <i>Special Considerations—International Reporting Issues</i>	Addition of section as a result of the issuance of SSARS No. 24.
<u>Section</u>	<u>Change</u>
AR-C 60, <i>General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services</i>	Amended by SSARS No. 24.
AR-C 90, <i>Review of Financial Statements</i>	Amended by SSARS No. 24.

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HOW THIS PUBLICATION IS ORGANIZED

The AR-C sections include clarified accounting and review services standards issued by SSARS No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*. These sections are arranged as follows:

AR-C Cross-References to SSARS

AR-C Introduction

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

Preparation of Financial Statements

Compilation Engagements

Review of Financial Statements

Special Considerations—International Reporting Issues

Compilation of Pro Forma Financial Information

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AR-C Topical Index

The AR-C Cross-References to SSARSs lists all issued SSARSs and the sources of sections created by SSARS No. 21 in the current text.

The AR-C Introduction describes the May 2010 ARSC project to revise and clarify all existing compilation and review standards in the Codification of Statements on Standards for Accounting and Review Services.

Accounting and review services interpretations are numbered in the 9000 series with the last two digits indicating the section to which the interpretation relates. Interpretations immediately follow their corresponding section. For example, interpretations related to section 90 are numbered 9090, which directly follows section 90.

The standards are divided into sections, each with its own section number. Each paragraph within a section is decimally numbered.

The AR-C appendixes are currently reserved.

The AR-C topical index uses the keyword method to facilitate reference to the pronouncements. The index is arranged alphabetically by topic and refers to major divisions, sections, and paragraph numbers.

AR-C Cross-References to SSARs

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

Statements on Standards for Accounting and Review Services*

No.	Date Issued	Title	AR-C Section
21	Oct. 2014	<i>Statements on Standards for Accounting and Review Services: Clarification and Recodification</i> ¹	
22	Sept. 2016	<i>Compilation of Pro Forma Financial Information</i>	120
23	Oct. 2016	<i>Omnibus Statement on Standards for Accounting and Review Services—2016</i> ²	
24	May 2018	<i>Omnibus Statement on Standards for Accounting and Review Services—2018</i> ³	

Sources of Sections in Current Text

AR-C Section	Contents	Source
60	<i>General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services</i>	SSARS No. 21
70	<i>Preparation of Financial Statements</i>	SSARS No. 21
80	<i>Compilation Engagements</i>	SSARS No. 21
90	<i>Review of Financial Statements</i>	SSARS No. 21
100	<i>Special Considerations—International Reporting Issues</i>	SSARS No. 24
120	<i>Compilation of Pro Forma Financial Information</i>	SSARS No. 22

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

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

² SSARS No. 23 has been integrated within sections 60.01, 60.03-.04, 60.07, 60.17, 60.26, 60.A4, 60.A12, 60.A21, 60.A26, 60.A33, 60.A38, 70.01, 70.10, 70.14, 70.19, 70.A1-.A3, 70.A9, 80.01, 80.10, 80.24-.25, 80.29-.30, 80.A1-.A4, 80.A14, 90.01, 90.05, 90.11-.12, 90.39g, 90.81-.83, 90.A1, 90.A11-.A12, 90.A20, and 90.A132-.A134.

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

Part II—List of Statements on Standards for Accounting and Review Services Nos. 1–20

<i>No.</i>	<i>Date Issued</i>	<i>Title</i>
1	Dec. 1978	<i>Compilation and Review of Financial Statements</i>
2	Oct. 1979	<i>Reporting on Comparative Financial Statements</i>
3	Dec. 1981	<i>Compilation Reports on Financial Statements Included in Certain Prescribed Forms</i>
4	Dec. 1981	<i>Communications Between Predecessor and Successor Accountants</i>
5	July 1982	<i>Reporting on Compiled Financial Statements</i>
6	Sept. 1986	<i>Reporting on Personal Financial Statements Included in Written Personal Financial Plans</i>
7	Nov. 1992	<i>Omnibus Statement on Standards for Accounting and Review Services—1992</i>
8	Oct. 2000	<i>Amendment to Statement on Standards for Accounting and Review Services No. 1, Compilation and Review of Financial Statements</i>
9	Nov. 2002	<i>Omnibus Statement on Standards for Accounting and Review Services—2002</i>
10	May 2004	<i>Performance of Review Engagements</i>
11	May 2004	<i>Standards for Accounting and Review Services</i>
12	July 2005	<i>Omnibus Statement on Standards for Accounting and Review Services—2005</i>
13	July 2005	<i>Compilation of Specified Elements, Accounts, or Items of a Financial Statement</i>
14	July 2005	<i>Compilation of Pro Forma Financial Information</i>
15	July 2007	<i>Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services</i>
16	Dec. 2007	<i>Defining Professional Requirements in Statements on Standards for Accounting and Review Services</i>
17	Feb. 2008	<i>Omnibus Statement on Standards for Accounting and Review Services—2008</i>
18	Feb. 2009	<i>Applicability of Statements on Standards for Accounting and Review Services</i>
19	Dec. 2009	<i>Compilation and Review Engagements</i>
20	Feb. 2011	<i>Revised Applicability of Statements on Standards for Accounting and Review Services</i>

AR-C Introduction

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AR-C Introduction

Foreword

Clarified Statements on Standards for Accounting and Review Services

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

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

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

Authority of SSARS

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

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

document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement.

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

ACCOUNTING AND REVIEW SERVICES COMMITTEE
Mike Fleming, *Chair*

Charles E. Landes, Vice President—
Professional Standards and Services

AR-C Glossary

Glossary of Terms

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

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

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

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

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

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

Engagement partner.¹ 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.

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

¹ This term is also defined in paragraph .13 of QC section 10, *A Firm's System of Quality Control*, for purposes of the Statements on Quality Control Standards. Refer to QC section 10 for specific language.

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

- a. review processes;
- b. SSARs and applicable legal and regulatory requirements;
- c. the business environment in which the entity operates; and
- d. review and financial reporting issues relevant to the entity's industry.

Fair presentation framework. See financial performing framework.

Financial reporting framework. A set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in the financial statements (for example, accounting principles generally accepted in the United States of America [U.S. GAAP], International Financial Reporting Standards promulgated by the International Accounting Standards Board, or a special purpose framework).

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

- a. Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework.
- b. Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in rare circumstances.

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

Financial statements. A structured representation of historical financial information, including related notes, 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.

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

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

Generally accepted accounting principles (GAAP). References to *generally accepted accounting principles* in SSARs means generally accepted accounting principles promulgated by bodies designated by the Council of the AICPA pursuant to the "Compliance With Standards Rule" (ET sec.

1.310.001) and the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct.

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

Interpretive publications. Interpretations of SSARs; exhibits to SSARs; 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.

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

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

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

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

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

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

Professional judgment. The application of relevant training, knowledge, and experience, within the context provided by SSARs, 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.

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

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

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

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

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

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

Review evidence. Information used by the accountant to provide a reasonable basis for obtaining limited assurance.

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).
- 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* (OCBOA).

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

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

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

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

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

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

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

AR-C Section**STATEMENTS ON STANDARDS FOR
ACCOUNTING AND REVIEW SERVICES
(CLARIFIED)**

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

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