

Complete Guide to Compilations and Reviews

I. SSARS No. 21-23 The New Compilation and Review Standards. Statements on Standards for Accounting and Review Services	1
A. Issued.....	1
B. Effective Dates.....	1
C. Objective.....	1
D. Background.....	1
AR-C Section 60- General Principles for Engagements Performed in Accordance with Statements on Standards for Accounting and Review Services	11
A. Introduction	11
B. Key Changes Made in AR-C 60	12
C. Requirements for Performing SSARS Engagements	13
Review Questions and Suggested Solutions.....	17
AR-C Section 70- Preparation of Financial Statements.....	19
A. Effective Date	19
B. Introduction.....	19
C. Scope of AR-C 70.....	19
D. Summary of a Preparation of Financial Statements Engagement	21
E. General Rules in Applying a Preparation of Financial Statements Engagement Under AR-C 70	23
F. Specific Rules for Preparing Financial Statements per AR-C 70.....	25
G. Documentation in a Preparation Engagement	34
H. Engagement Letter- Preparation of Financial Statements Engagement	34
I. Illustrative Financial Statements- AR-C 70	40
Review Questions and Suggested Solutions.....	47
AR-C Section 80- Compilation Engagements.....	53
A. Introduction	53
B. Effective Date	55
C. Scope of AR-C 80- Compilation Engagements	55
D. Objective of a Compilation Engagement	57
E. Definitions.....	58
F. Requirements- Compilation Engagements- AR-C 80	59
G. Engagement Letter- Compilation	60
H. The Accountant's Knowledge and Understanding of the Entity's Financial Reporting Framework- Compilation Engagement	65
I. Compilation Procedures.....	65
J. The New Accountant's Compilation Report	66
K. Elimination of Management-Use Only Financial Statements	79
L. Examples of the Accountant's Compilation Reports on Financial Statements.....	80
M. Documentation in a Compilation Engagement	89
N. Change from an Audit or Review Engagement to a Compilation Engagement	89
Review Questions and Suggested Solutions.....	91
AR-C Section 90: Review of Financial Statements	97
A. Introduction	97
B. Effective Date	97
C. Scope of AR-C 90- Review Engagements	97
D. Objective.....	98
E. Requirements for Performing a Review Engagement Under AR-C 90	98
F. Engagement Letter- Review Engagement	100
G. Communication with Management and Those Charged with Governance	105
H. Understanding of the Industry	105
I. Knowledge of the Entity	106

J. Designing and Performing Review Procedures	106
K. Analytical Procedures.....	107
L. Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters	108
M. Reading the Financial Statements.....	109
N. Using the Work of Other Accountants.....	110
O. Reconciling the Financial Statements to the Underlying Accounting Records.....	110
P. Evaluating Evidence Obtained from the Procedures Performed	110
Q. Materiality	111
R. Written Representations in a Review Engagement.....	112
S. Reporting on Reviewed Financial Statements	120
T. Review Documentation.....	136
Review Questions and Suggested Solutions.....	139
II. Practice Issues- Part 1	145
A. Controllers Issuing Financial Statements	145
B. Distributing Draft Financial Statements	158
C. Consideration of Fraud in a Compilation and Review Engagement	159
D. Analytical Procedures in a Review Engagement.....	170
E. Using Staff in a Compilation or Review Engagement.....	172
F. Titles on Compilation and Review Reports- SSARS No. 21	173
G. Legends on Compiled or Reviewed Financial Statements	173
H. Going Concern: Compilation and Review Engagements	176
I. Responsibility for Incomplete Information- Compilation Engagement	189
Review Questions and Suggested Solutions.....	191
J. Using Tax-Basis Financial Statements for Engagement Profitability.....	199
K. Miscellaneous Practice Issues	236
L. Communications Between Predecessor and Successor Accountants.....	278
M. Selected Information- Substantially All Disclosures Required by Accounting Principles Generally Accepted in the United States of America Are Not Included	287
N. Gathering Review Evidence Under SSARS No. 21	291
Review Questions and Suggested Solutions.....	297
O. Responsibility for Materiality in a Compilation and Review Engagement.....	305
P. Restricting the Use of an Accountant's Compilation or Review Report	306
Q. Reporting of Specified Elements, Accounts, or Items of a Financial Statement.....	309
R. Management Representation Letter- Review Engagement	319
S. Applicability of Auditing Standards to the SSARSs	334
T. Reconciling the Financial Statements to the Underlying Accounting Records	335
Review Questions and Suggested Solutions.....	337
II. Practice Issues- Part 2	343
A. Personal Financial Statements and Prescribed Forms	343
B. Financial Statements Submitted Electronically	359
Review Questions and Suggested Solutions.....	361
C. Peer Review Standards	365
D. GAAP Hierarchy: Compilation and Review	376
Review Questions and Suggested Solutions.....	381
E. Simplifying the Reporting Process	387
F. Squeezing the Heck Out of a Review Engagement: The 25-Hour Review	397
G. Designing Effective Engagement Letters	406
H. Liability to Accountants Who Perform Bookkeeping Services.....	422

I. Risk of Open-Ended and Multi-Year Engagement Letters	427
J. Avoid Being Sued and Increase Billing-The Likeability and Communication Factors.....	429
K. Definition of a Financial Statement Versus Trial Balance.....	432
L. Reporting on a Tax Return	436
M. Emphasis-of-Matter and Other-Matter Paragraphs in a Compilation Report on Financial Statements That Omit Substantially All Disclosures	440
Review Questions and Suggested Solutions.....	443
N. Ethics and Independence Rule Changes.....	449
O. Responsibility to Third Parties: The Privity Standard.....	526
P. Providing Records to a “Dead-Beat” Client	529
Q. Number of Days Test on Trade Receivables	532
Review Questions and Suggested Solutions.....	535
Index.....	545
Glossary	547
Final Exam.....	551