

# Complete Guide to Compilations and Reviews

## Table of Contents

<b>I. SSARS No. 21-25 Overview of the New Standards-SSARS No. 21-25 .....</b>	<b>1</b>
A. Issued.....	1
B. Effective Dates.....	1
C. Objective.....	1
D. Background.....	1
<b>II. AR-C Section 60- General Principles for SSARSs.....</b>	<b>6</b>
A. Introduction .....	6
B. Key Changes Made in AR-C 60 .....	6
C. Requirements for Performing SSARS Engagements .....	7
<b>Review Questions and Suggested Solutions.....</b>	<b>13</b>
<b>III. AR-C Section 70- Preparation of Financial Statements.....</b>	<b>17</b>
A. Introduction .....	17
B. Scope of AR-C 70.....	17
C. Summary of a Preparation of Financial Statements Engagement .....	23
D. General Rules Preparation of Financial Statements Engagement Under AR-C 70.....	25
E. Specific Rules for Preparing Financial Statements per AR-C 70 .....	26
F. Documentation in a Preparation Engagement .....	37
G. Engagement Letter- Preparation of Financial Statements Engagement .....	38
H. Illustrative Engagement Letter - Preparation Engagement .....	39
<b>Review Questions and Suggested Solutions.....</b>	<b>53</b>
<b>IV. AR-C Section 80- Compilation Engagements.....</b>	<b>63</b>
A. Introduction .....	63
B. Scope of AR-C 80- Compilation Engagements .....	63
C. Objective of a Compilation Engagement.....	53
D. Requirements- Compilation Engagements- AR-C 80 .....	64
E. Engagement Letter- Compilation.....	65
F. Compilation Procedures .....	70
G. The Accountant's Compilation Report .....	71
H. Examples of the Accountant's Compilation Reports on Financial Statements .....	86
I. Documentation in a Compilation Engagement .....	90
<b>Review Questions and Suggested Solutions.....</b>	<b>91</b>
<b>V. AR-C Section 90: Review of Financial Statements .....</b>	<b>99</b>
A. Introduction .....	99
B. Scope of AR-C 90- Review Engagements.....	100
C. Objective.....	101
D. Requirements for Performing a Review Engagement Under AR-C 90.....	101
E. Communication with Management and Those Charged with Governance .....	105
F. Understanding of the Industry .....	106
G. Knowledge of the Entity.....	107
H. Designing and Performing Review Procedures.....	107
I. Materiality in a Review Engagement (NEW per SSARS No. 25).....	108
J. Analytical Procedures .....	112
K. Inquiries of Management (NEW per SSARS No. 25).....	114
L. Related Party Transactions.....	117
M. Accountant Becomes Aware of Material Misstatements (NEW per SSARS No. 25).....	118
N. Reconciling the Financial Statements to the Underlying Accounting Records.....	120
O. Evaluating Review Evidence Obtained from the Procedures Performed.....	122
P. Written Representations in a Review Engagement.....	121

<b>Review Questions and Suggested Solutions</b> .....	<b>131</b>
Q. Reporting on the Financial Statements.....	135
R. Review Documentation .....	163
<b>Review Questions and Suggested Solutions</b> .....	<b>165</b>
<b>VI. AR-C Section- Special Considerations—International Reporting Issues</b> .....	<b>171</b>
<b>Review Questions and Suggested Solutions</b> .....	<b>177</b>
<b>VII. Practice Issues- Part 1</b> .....	<b>179</b>
A. Controllers Issuing Financial Statements .....	179
B. Distributing Draft Financial Statements .....	193
C. Consideration of Fraud in a Compilation and Review Engagement .....	194
D. Analytical Procedures in a Review Engagement.....	206
E. Using Staff in a Compilation or Review Engagement.....	209
F. Titles on Compilation and Review Reports- SSARS No. 21 .....	209
G. Legends on Compiled or Reviewed Financial Statements .....	210
H. Going Concern: Compilation and Review Engagements.....	213
I. Responsibility for Incomplete Information- Compilation Engagement .....	230
<b>Review Questions and Suggested Solutions</b> .....	<b>233</b>
J. Using Tax-Basis Financial Statements for Engagement Profitability.....	241
<b>Review Questions and Suggested Solutions</b> .....	<b>277</b>
K. An Accountant’s Name in a Written Document or Communication Containing Unaudited Financial Statements.....	281
L. Reporting Responsibility Related to the Statement of Retained Earnings .....	282
M. Reporting on Comprehensive Income .....	288
N. Dates on Reports.....	294
O. Supplementary Information Reporting.....	296
P. Communications Between Predecessor and Successor Accountants .....	324
Q. Selected Information- Substantially All Disclosures Required by GAAP Are Not Included.....	332
R. Gathering Review Evidence Under SSARS No. 21 .....	336
<b>Review Questions and Suggested Solutions</b> .....	<b>341</b>
<b>VIII. Practice Issues- Part 2</b> .....	<b>347</b>
A. Restricting the Use of an Accountant’s Compilation or Review Report .....	347
B. Reporting of Specified Elements, Accounts, or Items of a Financial Statement .....	350
C. Management Representation Letter- Review Engagement .....	360
D. Applicability of Auditing Standards to the SSARSs .....	375
E. Reconciling the Financial Statements to the Underlying Accounting Records .....	376
<b>Review Questions and Suggested Solutions</b> .....	<b>377</b>
F. Personal Financial Statements and Prescribed Forms .....	383
G. Financial Statements Submitted Electronically .....	399
<b>Review Questions and Suggested Solutions</b> .....	<b>401</b>
H. Simplifying the Reporting Process.....	405
I. Squeezing the Heck Out of a Review Engagement: The 25-Hour Review .....	411
J. Designing Effective Engagement Letters .....	420
K. Liability to Accountants Who Perform Bookkeeping Services.....	436
L. Risk of Open-Ended and Multi-Year Engagement Letters .....	441
M. Avoid Being Sued and Increase Billing-The Likeability and Communication Factors.....	443
N. Definition of a Financial Statement Versus Trial Balance.....	445

O. Reporting on a Tax Return.....	449
P. Consulting Services and SSARS No. 21 .....	453
Q. Emphasis-of-Matter and Other-Matter Paragraphs in a Compilation Report on Financial Statements That Omit Substantially All Disclosures .....	453
R. Responsibility to Third Parties: The Privity Standard .....	455
S. Providing Records to a “Dead-Beat” Client.....	458
T. Number of Days Test on Trade Receivables .....	460
<b>Review Questions and Suggested Solutions.....</b>	<b>463</b>
<b>XIX. Ethics and Independence Rules- SSARS Engagements .....</b>	<b>469</b>
A. Overview of the Independence Rules in ET 1.295 .....	469
B. Discussion of the THREE SAFEGUARDS.....	472
C. Performing Bookkeeping Services for an Attest Client.....	489
D. Tax Compliance and Tax Preparation Services, including Payroll Services .....	497
E. Investment Functions Performed for the Client.....	507
F. Appraisal, Valuation and Actuarial Services.....	508
G. Information Systems- Design, Installation, or Integration Services.....	512
H. Forensic Accounting Services .....	513
I. Other Management Functions .....	515
J. Acting as a Trustee.....	517
K. Miscellaneous Independence Issues .....	519
<b>Review Questions and Suggested Solutions.....</b>	<b>521</b>
<b>Glossary .....</b>	<b>529</b>
<b>Index .....</b>	<b>533</b>
<b>Final Exam.....</b>	<b>535</b>