

Proposed Revision(s) to UAA Resulting from SSARS 21

Section 3(f)

Existing Language

3(f) "Compilation" means providing a service to be performed in accordance with Statements on Standards for Accounting and Review Services (SSARS) that is presenting in the form of financial statements, information that is the representation of management (owners) without undertaking to express any assurance on the May 2014 UAA-3-2 1 statements.

Joint Proposed New Language

3(f)

(1) "Compilation" means providing a service of any compilation engagement to be performed in accordance with Statements on Standards for Accounting and Review Services (SSARS).

(2) "Preparation of Financial Statements" means providing a service of any preparation of financial statements engagement to be performed in accordance with Statements on Standards for Accounting and Review Services (SSARS).

Notes:

- This language is intended to mirror as closely as possible the wording in UAA Section 3(b), which makes reference to standards rather than providing a specific definitions of a service. Following is an excerpt from 3(a) for reference:
 - (b) "Attest" means providing the following services:
 - (1) any audit or other engagement to be performed in accordance with the Statements on Auditing Standards (SAS);

- (2) any review of a financial statement to be performed in accordance with the Statements on Standards for Accounting and Review Services (SSARS);
- (3) any examination of prospective financial information to be performed in accordance with the Statements on Standards for Attestation Engagements 18 (SSAE);
- By referring generally to the standards this will help maintain the “evergreen” nature of the UAA and avoid specific references or definitions from becoming outdated. (The existing definition of compilation in 3(f) prior to this change is outdated as it currently is written.)

Section 14(b)

NASBA's proposed change to 14(b)—

14(b) Licensees and individuals who have practice privileges under Section 23 of this Act performing services as defined in §3(b) or compilation services as defined in §3(f)(1) or preparation services as defined in §3(f)(2) must provide those services in accordance with applicable professional standards.

AICPA Believes No Change in 14(b) Necessary

- Section 10(a)(6) sufficiently covers the substance of the proposed change so the edit is not necessary.
- Further, it is a bit concerning that 14(b) as written only covers the services that are limited to CPA's (attest and compilation) and that by adding “preparations of financial statements” we would be adding one service that is not limited to CPA's, (preparation of financial statements) but not others such as tax services. All of these services attest, compilation, preparation of financial statements and tax (as well as others) would be under practice privilege. This does not seem to make sense. Would the

proposed change perhaps have negative unintended consequences on other services?

NASBA is concerned that if current language is maintained, non-licensees could potentially provide preparation services utilizing SSARS. Section 10(a)(6) only pertains to actions against licensees. There is no direct prohibition in the UAA preventing non-licensees from referring to AICPA Standards in conjunction with preparation of financial statements. There is language in 14(a) that prohibits non-licensees from issuing reports or providing attest or compilation services, but SSARS 21 preparation services are neither. There is also potentially relevant 14(a) language [“Non-licensees may prepare financial statements and issue non-attest transmittals or information thereon which do not purport to be in compliance with the Statements on Standards for Accounting and Review Services (SSARS)”), but that language is not a prohibition; instead, it is permissive language that would be interpreted in the context of the general prohibition in 14(a) regarding attest and compilation services. There is also language in 14(h)(1) that prohibits non-licensees from using “language in any statement relating to the financial affairs of a person or entity which is conventionally used by licensees in reports on financial statements or any attest service as defined herein.” It might be argued that a mere reference to SSARS might constitute such conventional language, but In light of recent antitrust developments, that might not meet the “clear articulation” test for a state board is be immune from suit.

NASBA is also concerned that the AICPA’s statement about 14(b) underscores the risk that non-licensees would otherwise be able to provide preparation of financial statement services and refer to SSARS inasmuch as the AICPA states that preparations of financial statements is “not limited to CPA’s.” However, “preparations of financial statements” would be defined per 3(f)(2) as “any preparation of financial statements engagement to be performed in accordance with SSARS.” Thus, in context, it is our understanding this service would *not* be one which could be performed by non-licensees.