



## Agenda Item 2B

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# EXPOSURE DRAFT

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## PROPOSED STATEMENT ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES

### *OMNIBUS STATEMENT ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES – 2018*

*(To amend Statement on Standards for Accounting and Review Services No. 21, Statements on Standards for Accounting and Review Services: Clarification and Recodification, AR-C sections 70, Preparation of Financial Statements, 80, Compilation Engagements, and 90, Review of Financial Statements to create new AR-C section 100, International Reporting Issues; and to withdraw Interpretation No. 1, Considerations Related to Reviews Performed in Accordance With International Standard on Review Engagements (ISRE) 2400 (Revised) to AR-C section 90 [AICPA, Professional Standards].)*

**September X, 2017**

**Comments are requested by December X, 2017**

Prepared by the AICPA Accounting and Review Services Committee for comment from persons interested in review and reporting issues. Comments should be addressed to Mike Glynn at [mike.glynn@aicpa-cima.com](mailto:mike.glynn@aicpa-cima.com)



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## EXPLANATORY MEMORANDUM

### Introduction

This memorandum provides background on the proposed Statement on Standards for Accounting and Review Services (SSARS) *Omnibus Statement on Standards for Accounting and Review Services - 2018*.

The proposed SSARS will result in:

- New AR-C section 100, *International Reporting Issues*
- Revised paragraph .06 of AR-C section 60
- Revised paragraphs .22, .34, .39 and .66 and .A115, .A117, .A119 of AR-C section 90
- New paragraphs .65, .67, .78, .80 and .A112-.A114, .A117-.A118, and .A131-.A132 of AR-C section 90
- Deletion of paragraphs .66-.68 and .A114 of AR-C section 90

### International Reporting Issues

In accordance with paragraph .10 of AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*, the accountant must perform a review, compilation, or an engagement to prepare financial statements in accordance with SSARSs, except for certain reviews of interim financial information as discussed in section 90, *Review of Financial Statements*. Proposed AR-C section 100 addresses those circumstances in which an accountant is engaged to perform a compilation or review of financial statements:

- (a) that have been prepared in accordance with a financial reporting framework generally accepted in another country (hereinafter referred to as a financial reporting framework generally accepted in another country) not adopted by a body designated by the Council of the AICPA (Council) to establish generally accepted accounting principles (GAAP); or
- (b) in accordance with both SSARSs and another set of compilation or review standards

The standard will also move the guidance in Interpretation No. 1, *Considerations Related to Reviews Performed in Accordance With International Standard on Review Engagements (ISRE) 2400 (Revised)* to the SSARSs proper and will result in the withdrawal of the interpretation.

It is not anticipated that the standard will result in significant change in practice but instead will provide supplemental requirements and guidance for applying AR-C sections 80 and 90 to compilations and reviews of financial statements that are prepared in accordance with a financial reporting framework generally accepted in another country or when the review is performed in accordance with both SSARSs and another set of review standards.

Additionally, since the proposal will result in the introduction of a *fair presentation framework* to the SSARSs, the proposed standard will amend paragraph .06 of AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services* to revise the

definition of *financial reporting framework* to clarify the term *fair presentation framework*. The clarified definition is consistent with the definition included in the auditing literature.

*Technical Correction to the Requirements Regarding the Content of the Accountant's Review Report*

Paragraph .39 of AR-C section 90 is revised to make the requirements regarding the contents of the accountant's review report consistent with the illustrative report examples in Exhibit C to AR-C section 90. It is not anticipated that this technical correction will result in a change in practice.

*Consideration of Going Concern in a Review Engagement*

The proposed SSARS revised paragraph .22 of AR-C section 90 to include two additional inquiries of members of management who have responsibility for financial and accounting matters concerning going concern. The proposed inquiries are consistent with ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*.

The proposed SSARS also revised paragraph .34 of AR-C section 90 to include a specific written representation regarding disclosure of all information relevant to the use of the going concern assumption in the financial statements. The proposed representation is consistent with ISRE 2400 (Revised).

The proposed SSARS includes amendments to paragraphs .65-.68 and .A112-.A116 of AR-C section 90, *Review of Financial Statements* (AICPA, *Professional Standards*) that are intended to harmonize the accountant's requirements with respect to going concern in a SSARSs review with those of AU-C section 930, *Interim Financial Information*.

Statement on Auditing Standards No. 132, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* was issued in February 2017 and extended the auditor's requirements with respect to consideration of going concern in a review of interim financial information. Those requirements are as follows:

- 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 interim financial information (for example, U.S. GAAP or IFRS), perform interim review procedures related to (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; and (d) the adequacy of the related disclosures in the interim financial information.
  
- 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 interim financial information and (a) 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 prior period financial statements, regardless of whether the substantial doubt was alleviated by the auditor's consideration of management's plans, or (b) in the course of performing review procedures on the current

period interim financial information, the auditor becomes aware of conditions or events that raise substantial doubt about the entity's ability to continue as a going concern,

- inquire of management whether the going concern basis of accounting is appropriate,
  - inquire of management about its plans for dealing with the adverse effects of the conditions and events, and
  - consider the adequacy of the disclosure about such matters in the interim financial information.
- Include an emphasis-of-matter paragraph in the auditor's review report on the interim financial information in any of the following circumstances, regardless of whether the entity is required under the applicable financial reporting framework to include a statement in the notes to the interim financial information that substantial doubt exists:
    - A going concern emphasis-of-matter paragraph was included in the prior year's auditor's report and
      - the conditions or events giving rise to the emphasis-of-matter paragraph continue to exist and
      - those conditions or events raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time and management's plans do not alleviate them.
    - A going concern emphasis-of-matter paragraph was not included in the prior year's auditor's report and
      - management is required under the applicable financial reporting framework to include a statement in the notes to the interim financial information that substantial doubt exists and
      - management has included such statement in the notes to the interim financial information.

In summary, in an interim review performed in accordance with AU-C section 930, when the financial statements are prepared in accordance with GAAP, the auditor is required to specifically perform procedures related to management's going concern assessment (primarily inquiry). In accordance with extant standards, in a SSARSs review the accountant would be required to perform procedures only if, as a result of the performance of review procedures, evidence or information came to the accountant's attention indicating that there may be a going concern issue. If the financial statements are prepared in accordance with a special purpose framework such as the cash- or tax basis of accounting, the review procedures performed in accordance with SSARSs and AU-C section 930 are substantially the same.

AU-C section 930 also requires an emphasis-of-matter paragraph in the auditor's interim review report in certain circumstances. In accordance with extant standards, the accountant is not required to include an emphasis-of-matter paragraph with respect to a going concern uncertainty in a SSARSs review report.

*Amendment to Requirements When Referencing the Work of Other Accountants in an Accountant's Review Report*

The proposed SSARS includes amendments to paragraphs.78-.79 of AR-C section 90, *Review of Financial Statements* (AICPA, *Professional Standards*) that will:

- Preclude the accountant from referencing, in the accountant's review report, the review or audit report of other accountants if such accountant's report is restricted as to use
- Provide guidance when the accountant decides to make reference, in the accountant's review report, to the review or audit report of other accountants of financial statements of a significant component and the other accountant's review or audit is performed in accordance with standards other than SSARSs or auditing standards generally accepted in the United States of America (GAAS)
- Provide review reporting requirements and guidance when the accountant decides to make reference to the review or audit of other accountants who review or audit the financial statements of a significant component which are prepared using a different financial reporting framework from that used for the financial statements of the reporting entity

## **Background**

The ARSC determined that SSARSs should include requirements and guidance when an accountant is engaged to perform a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country or in accordance with both SSARSs and another set of compilation or review standards.

The ARSC also determined that revisions should be made to AR-C section 90 to substantially harmonize the requirements with respect to the accountant's consideration of an entity's ability to continue as a going concern with those in AU-C section 930, *Interim Financial Information* resulting from the issuance of SAS No. 132.

Additionally, subsequent to the issuance of SSARS No. 21, certain practice issues were identified that accountants may encounter with respect to using the work of other accountants as part of the accountant's review of financial statements. ARSC determined to revise AR-C section 90 to provide requirements and guidance in those situations.

## **Format of the Exposure Draft**

This exposure draft is presented in columnar format in which requirements and related application guidance are presented side-by-side instead of in the more customary sequential presentation. This approach has been efficient for the ARSC in developing and reviewing the proposed SSARSs, and it is used here for the benefit of respondents. The resulting SSARSs will be issued in the traditional format.

## **Effective Date**

The proposed SSARS will be effective for compilations and reviews of financial statements for periods ending on or after June 15, 2019. This effective date is provisional but will not be earlier than June 15, 2019.

## **Changes From Existing Standards and Specific Requests for Comment**

International Reporting Issues

The proposed SSARS:

- Adds AR-C section 100 to provide requirements and guidance when an accountant is engaged to perform a compilation or review of financial statements:
  - that have been prepared in accordance with a financial reporting framework generally accepted in another country
  - and the compilation or review is to be performed in accordance with both SSARSs and another set of compilation or review standards
- Amends the definition of *financial reporting framework* included in paragraph .06 of AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*.

**Specific Requests for Comment #1**

The ARSC requests that respondents provide specific feedback as to whether any additional requirements or guidance is necessary with respect to performing or reporting on:

- a) financial statements prepared in accordance with a financial reporting framework generally accepted in another country, or
- b) an engagement performed in accordance with both SSARSs and another set of compilation or review standards.

**Specific Requests for Comment #2**

The ARSC requests that respondents provide specific feedback as to whether the proposal that the new requirements and guidance be codified as a new AR-C section 100 or, if it would be easier to implement and understand if such requirements and guidance were incorporated into AR-C sections 80 and 90.

The Accountant's Consideration of an Entity's Ability to Continue as a Going Concern

The proposed SSARSs:

- Adds paragraph .65 to AR-C section 90 to require the accountant, when 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, to perform review procedures related to (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; and (d) the adequacy of the related disclosures in the financial statements.

**Specific Requests for Comment #3**



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The ARSC requests that respondents provide specific feedback as to whether they believe that it is appropriate to revise SSARSs to include a requirement for the accountant to specifically perform procedures (primarily inquiry) related to management's going concern assessment when the financial statements are prepared in accordance with an applicable financial reporting framework that includes requirements for management to evaluate the entity's ability to continue as a going concern for a reasonable period of time.

- Amends paragraph .65 from extant AR-C section 90 to require the accountant, 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 (a) 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 (b) 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 to
  - 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, and
  - c. Consider the adequacy of the disclosure about such matters in the financial statements.

If the applicable financial reporting framework does not specify a period of time for management, a reasonable period is within one year after the date the financial statements are issued (or within one year after the date that the financial statements are available to be issued)

- Adds paragraph .67 to AR-C section to require the accountant to include an emphasis-of-matter paragraph in the accountant's review report in any of the following circumstances, regardless of whether 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:
  - a. A going concern emphasis-of-matter paragraph was included in the prior period's report and
    - i. the conditions or events giving rise to the emphasis-of-matter paragraph continue to exist and
    - ii. those conditions or events raise substantial doubt about the entities ability to continue as a going concern for a reasonable period of time and management's plans do not alleviate them
  - b. A going concern emphasis-of-matter paragraph was not included in the prior period's report and
    - i. Management is required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists and

- ii. Management has included such statement in the notes to the financial statements

#### **Specific Requests for Comment #4**

The ARSC requests that respondents provide specific feedback as to whether they believe that it is appropriate to revise SSARSs to include a requirement for the accountant to include an emphasis-of-matter paragraph in the accountant's review report in the aforementioned circumstances.

#### *Amendment to Requirements When Referencing the Work of Other Accountants in an Accountant's Review Report*

The proposed SSARSs:

- Adds paragraph .79 to AR-C section 90 to preclude the accountant from referencing, in the accountant's review report, the review or audit report of other accountants if such accountant's report is restricted as to use
- Adds paragraph .A128 to AR-C section 90 to provide guidance when the accountant decides to make reference to the review or audit of other accountants of financial statements of a significant component and the other accountant's review or audit is performed in accordance with standards other than SSARSs or GAAS
- Adds paragraphs .81 and .A129 to AR-C section 90 to provide review reporting requirements and guidance when the accountant decides to make reference to the review or audit of other accountants who review or audit the financial statements of a significant component which are prepared using a different financial reporting framework from that used for the financial statements of the reporting entity

ARSC is not proposing any other modifications to SSARSs.

#### **Guide for Respondents**

Respondents are asked to provide comments on the Specific Requests for Comment Nos. 1-4 as well as on the content of the proposed SSARSs.

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and (when appropriate) make specific recommendations for any suggested changes to wording. When a respondent agrees with proposals in the exposure draft, it will be helpful for ARSC to be made aware of this view, as well.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available for public inspection at the AICPA offices after December X, 2017, for a period of one year. Responses should be sent to Mike Glynn at [mike.glynn@aicpa-cima.com](mailto:mike.glynn@aicpa-cima.com) by December X, 2017.

#### **Comment Period**

The comment period for this exposure draft ends on December X, 2017.

**Accounting and Review Services Committee**  
(2016–2017)

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*Assistant General Counsel*



## Agenda Item 2B

**Proposed SSARS, *Omnibus Statement on Standards for Accounting and Review Services - 2018***

***Proposed AR-C section 100, International Reporting Issues***

<b>Introduction, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Introduction</b>	
<b>Scope of This Section</b>	
<p><b>.01</b> Pursuant to paragraph .10 of section 60, the accountant must perform a review or compilation in accordance with SSARSs, except for certain reviews of interim financial information as discussed in section 90, <i>Review of Financial Statements</i>. This section addresses circumstances in which an accountant is engaged to perform a compilation or review of financial statements:</p> <ul style="list-style-type: none"><li>(a) that have been prepared in accordance with a financial reporting framework generally accepted in another country not adopted by a body designated by the Council of the AICPA (Council) to establish GAAP (hereinafter referred to as a financial reporting framework generally accepted in another country); or</li><li>(b) in accordance with both SSARSs and another set of compilation or review standards</li></ul>	

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<b>Introduction, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.02</b> Pursuant to the "Compliance With Standards Rule" (ET sec. 1.310.001) and the "Accounting Principles Rule" (ET sec. 1.320.001), the Council of the AICPA designates the bodies to establish GAAP. This section does not apply to financial statements prepared in accordance with financial reporting frameworks established by the bodies designated by the Council. AR-C sections 80 and 90 apply to compilations and reviews of such financial statements, respectively, including financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).</p>	
<p><b>.03</b> This section is applicable to compilations and reviews of financial statements prepared in accordance with a jurisdictional variation of IFRS such that the entity's financial statements do not contain an explicit and unreserved statement in an appropriate note to the financial statements that its financial statements are in compliance with IFRS as promulgated by the IASB.</p>	
<p><b>Effective Date</b></p>	
<p><b>.04</b> This proposed section will be effective for compilations and reviews of financial statements for periods ending on or after June 15, 2019.*</p> <p>* The effective date is provisional but will not be earlier than June 15, 2019.</p>	
<p><b>Objective</b></p>	
<p><b>.05</b> The objective of the accountant, when engaged to perform a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country or when engaged to perform a review in accordance with both SSARSs and another set of review standards is to address appropriately the special considerations that are relevant to</p>	

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Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<ul style="list-style-type: none"> <li>a. the acceptance of the engagement,</li> <li>b. the planning and performance of the engagement, and</li> <li>c. reporting on the financial statements.</li> </ul>	
<b>Requirements</b>	
<b>Considerations When Accepting the Engagement</b>	<b>Considerations When Accepting the Engagement</b> (Ref: par. .06b, .07, and .11b(iii))
<p><b>.06</b> Paragraph .25b of AR-C section 60, <i>General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services</i>, requires the accountant, as a condition for accepting an engagement to be performed in accordance with SSARSs, to determine whether the financial reporting framework selected by management to be applied in the preparation of the financial statements is acceptable. In a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country, the accountant should obtain an understanding of</p> <ul style="list-style-type: none"> <li>a. The purpose for which the financial statements are prepared and whether the financial reporting framework applied in the preparation of the financial statements is a fair presentation framework.</li> <li>b. The intended users of the financial statements. (Ref: par. A1)</li> <li>c. The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.</li> </ul>	<p><b>.A1</b> In obtaining an understanding of the purpose for which the financial statements are prepared and of the intended users, the accountant may consider whether the intended users are likely to be familiar with the applicable financial reporting framework. For example, if the financial statements are to be used in the United States in addition to the other country(ies) for which they are intended, the accountant may consider whether intended users within the United States deal directly with the entity and whether the financial statements are to be used in a manner that permits such users to discuss with the entity differences from accounting and reporting practices in the United States and their significance. Accordingly, an accountant may conclude that financial statements prepared in accordance with a financial reporting framework generally accepted in another country are not appropriate for distribution widely in the United States.</p>

<b>Introduction, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.07</b> When the accountant plans to use the form and content of the accountant's compilation or review report of another country, the accountant should obtain an understanding of the applicable legal responsibilities involved. (Ref: par. .A2)</p>	<p><b>.A2</b> Even when the form and content of the accountant's compilation or review report used in another country appears similar to that used in the United States, the report may convey a different meaning and entail different legal responsibilities for the accountant due to custom or culture. Issuing a compilation or review report of another country may require the accountant to report on statutory compliance or otherwise require an understanding of local laws and regulations. When issuing the accountant's compilation or review report of another country, the accountant is required by paragraph .07 to obtain an understanding of applicable legal responsibilities, in addition to the compilation or review standards and the financial reporting framework generally accepted in the other country, as required by paragraphs .06 and .09–.10. Accordingly, depending on the nature and extent of the accountant's knowledge and experience, the accountant may consult with persons having expertise in the compilation or review reporting practices of the other country and associated legal responsibilities to obtain the understanding needed to issue that country's compilation or review report.</p>
<p><b>Compilation or Review of Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country</b></p>	<p><b>Compilation or Review of Financial Statements Prepared in Accordance with a Financial Reporting Framework Generally Accepted in Another Country</b> (Ref: par. .08)</p>
<p><b>.08</b> When performing a compilation or review on financial statements prepared in accordance with a financial reporting framework generally accepted in another country, the accountant should obtain an understanding of such framework. (Ref: par. .A3-.A4)</p>	<p><b>.A3</b> Paragraph .13 of AR-C section 80 requires the accountant, as part of the compilation engagement, to obtain an understanding of the applicable financial reporting framework and the significant accounting policies intended to be used in the preparation of the financial statements. Paragraphs .15-.16 of AR-C section 90 requires the accountant, as part of the review engagement, to obtain an understanding of the accounting principles and practices used by the entity sufficient to identify areas in the financial statements where there is a greater likelihood that material misstatements may arise and to be able to design procedures to address those areas.</p>

<b>Introduction, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	.A4 An understanding of the financial reporting framework generally accepted in another country may be obtained by reading the statutes or professional literature, or codifications thereof, which establish or describe the financial reporting framework generally accepted in the other country. Often, the application of accounting principles to a particular situation requires practical experience and, accordingly, the accountant may consult with persons having expertise in applying the financial reporting framework of the other country.
.09 The accountant should comply with AR-C sections 80 and 90, with respect to compilations or reviews of financial statements prepared in accordance with a financial reporting framework. When the financial statements are intended for use only outside of the United States, the accountant may use the report form and content of the other country in accordance with paragraph .11b.	
<b>Application of Compilation or Review Standards of Another Country</b>	<b>Application of Compilation or Review Standards of Another Country</b> (Ref: par. .10)
.10 If the accountant is engaged to perform a compilation or review of financial statements and the agreed-upon terms of the engagement require the accountant to apply the compilation or review standards of another country, International Standard on Related Services 4410 (Revised), <i>Compilation Engagements</i> (ISRS 4410 (Revised)), or ISRE 2400 (Revised), <i>Engagements to Review Historical Financial Statements</i> (ISRE 2400 (Revised)), the accountant should obtain an understanding of and apply those relevant standards, as well as SSARSs, except for requirements related to the form and content of the report in the situation described in paragraph .11. (Ref: par. .A5–.A7)	.A5 Applying the compilation or review standards of another country, ISRS 4410 (Revised) or ISRE 2400 (Revised) may require the accountant to perform procedures in addition to those procedures required by SSARSs.  .A6 An understanding of the compilation or review standards of another country, ISRS 4410 (Revised), or ISRE 2400 (Revised) may be obtained by reading the statutes or professional literature, or codifications thereof, which establish or describe such standards.  .A7 Statutes or professional literature, or codifications thereof, however, may not include a complete description of the compilation or review practices in another country. The accountant may consult with persons having expertise, including practical experience, in applying the compilation



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Introduction, Definitions, and Requirements	Application and Other Explanatory Material
	or review standards of the other country, ISRS 4410 (Revised) or ISRE 2400 (Revised), as relevant.
<b>Reporting</b>	<b>Reporting</b> (Ref: par. .11a, and.12c)
	<b>.A8</b> The exhibit "Illustrations of Accountant's Compilation and Review Reports on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country" contains illustrations of auditor's reports on financial statements incorporating the elements required by paragraphs .11-.12.
<b><i>Reporting—Intended for Use Only Outside the United States</i></b>	
<p><b>.11</b> If the accountant is reporting on financial statements that are intended for use only outside the United States, the accountant should report using either</p> <p style="margin-left: 20px;"><i>a.</i> a U.S. form of report, including (Ref: par. .A8)</p> <p style="margin-left: 40px;">i. the elements required by AR-C section 80 or AR-C section 90, as applicable, excluding the requirement from paragraph .21 of AR-C section 80 or paragraph .43 of AR-C section 90 to include a paragraph regarding financial statements prepared in accordance with a special purpose framework and</p> <p style="margin-left: 40px;">ii. if the financial statements are prepared in accordance with a financial reporting framework generally accepted in another country, a statement that refers to the note to the financial statements, if applicable, that describes the basis of presentation of the financial statements on which the accountant is reporting, including identification of the country of origin of the accounting principles, or</p>	

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Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p><i>b.</i> the report form and content of the other country (or, if applicable, as set forth in ISRS 4410 (Revised) or ISRE 2400 (Revised)), provided that</p> <ul style="list-style-type: none"> <li><i>i.</i> such a report would be issued by accountants in the other country in similar circumstances,</li> <li><i>ii.</i> the accountant understands the report form and content of the other country and, if a review engagement is performed, has obtained sufficient appropriate review evidence to support the statements contained in such a review report, and</li> <li><i>iii.</i> the accountant has complied with the reporting standards of that country and identifies the other country in the report. (Ref: par. .A2)</li> </ul>	
<p><b><i>Reporting—Intended for Use in the United States</i></b></p>	<p><b><i>Reporting—Intended for Use in the United States</i></b> (Ref: par. .12c)</p>
<p><b>.12</b> If financial statements are intended for use in the United States, the accountant should report using the U.S. form of report. In addition, the accountant should include in the accountant’s compilation or review report a separate paragraph to the accountant’s compilation or review report that</p> <ul style="list-style-type: none"> <li><i>a.</i> identifies the financial reporting framework used in the preparation of the financial statements,</li> <li><i>b.</i> refers to the note to the financial statements, if applicable, that describes that framework, and</li> <li><i>c.</i> indicates that such framework differs from accounting principles generally accepted in the United States of America. (Ref: par. .A9-.A10)</li> </ul>	<p><b>.A9</b> When reporting on financial statements prepared in accordance with a financial reporting framework generally accepted in another country that will be used in the United States and outside the United States, the</p>

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
	<p>accountant may issue two reports: one of the reports described in paragraph .11 for use outside the United States and the U.S. form of report with a separate paragraph (such paragraph would be an emphasis-of-matter paragraph in an accountant’s review report), as described in paragraph .12, for use in the United States.</p> <p><b>.A10</b> An entity that prepares financial statements in accordance with GAAP also may prepare financial statements in accordance with a financial reporting framework generally accepted in another country for use outside the United States (for example, financial statements prepared in accordance with a jurisdictional variation of IFRS such that the entity’s financial statements do not contain an explicit and unreserved statement of compliance with IFRS as issued by the IASB). In such circumstances, the accountant may report on the financial statements that are in accordance with a financial reporting framework generally accepted in another country by reporting in accordance with paragraph .11. The accountant may include in the reports a statement that another report has been issued on the financial statements for the entity that have been prepared in accordance with a financial reporting framework generally accepted in another country. The accountant’s statement may also reference any note disclosure in the financial statements that describes significant differences between the accounting principles used and GAAP. An example of such a statement, which may be included in a separate paragraph to the accountant’s compilation or review report (such paragraph would be an emphasis-of-matter paragraph in an accountant’s review report), is as follows:</p> <p style="padding-left: 40px;">We also have reported separately on the financial statements of ABC Company for the same period presented in accordance with [<i>specify the financial reporting framework generally accepted</i>] in [<i>name of country</i>]. (The significant differences between the [<i>specify the financial reporting framework generally accepted</i>] in [<i>name of country</i>] and accounting</p>

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Introduction, Definitions, and Requirements	Application and Other Explanatory Material
	principles generally accepted in the United States of America are summarized in Note X.)

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<i>Accountant's Report for Compilations or Reviews Conducted in Accordance With Both SSARSs and Another Set of Compilation or Review Standards</i>	
.13 The accountant should not refer to having conducted a compilation or review in accordance with another set of compilation or review standards in addition to SSARSs, unless the compilation or review was conducted in accordance with both sets of standards in their entirety.	
.14 When the accountant's compilation or review report refers to both SSARSs and another set of compilation or review standards, the accountant's compilation or review report should identify the other set of compilation or review standards, as well as their origin.	

.A11

**Exhibit —Illustrations of Accountant's Compilation and Review Reports on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country** (Ref: par. .A8)

**Illustration 1**—U.S. Form of Accountant's Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Intended for Use Only Outside the United States

**Illustration 2**— U.S. Form of Independent Accountant's Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Intended for Use Only Outside the United States

**Illustration 3**— U.S. Form of Accountant's Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Also Intended for Use in the United States

**Illustration 4**— U.S. Form of Independent Accountant’s Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Also Intended for Use in the United States

**Illustration 5** — U.S Form of Independent Accountant’s Review Report on Financial Statements Prepared in Accordance With International Financial Reporting Standards as Issued by the International Accounting Standards Board and the Review Is Performed in Accordance With SSARSs and International Standard on Review Engagements 2400 (Revised) Issued by the International Auditing and Assurance Standards Board

**Illustration 1**— U.S. Form of Accountant’s Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Intended for Use Only Outside the United States

Management is responsible for 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 which, as described in note X to the financial statements, have been prepared in accordance with [*specify the financial reporting framework generally accepted*] in [*name of country*]. I (We) have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA (and [*identify the standards of other country*]). I (We) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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

[*Accountant’s city and state*]

[*Date of the accountant’s report*]

**Illustration 2**— U.S. Form of Independent Accountant’s Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Intended for Use Only Outside the United States

**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, which, as described in note X to the financial statements, have been prepared in accordance with [*specify the financial reporting framework generally accepted*] in [*name of country*]; 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 (and [*identify the standards of other country*]). 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 [*specify the financial reporting framework generally accepted*] in [*name of country*]. I (We) believe that the results of my (our) procedures provide a reasonable basis for our conclusion.

***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 [*specify the financial reporting framework generally accepted*] in [*name of country*].

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

[*Accountant's city and state*]

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

**Illustration 3— U.S. Form of Accountant's Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Also Intended for Use in the United States**

Management is responsible for 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, which, as described in note X to the financial statements, have been prepared in accordance with [*specify the financial reporting*

*framework generally accepted*] in [*name of country*]. I (We) have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA (and [*identify the standards of other country*]). I (We) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

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 [*specify the financial reporting framework generally accepted*] in [*name of country*], which is a basis of accounting other than 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 report*]

**Illustration 4**— U.S. Form of Independent Accountant's Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country That Are Also Intended for Use in the United States

#### **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, which, as described in note X to the financial statements, have been prepared in accordance with [*specify the financial reporting framework generally accepted*] in [*name of country*];

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 (and [*identify the standards of other country*]). 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 [*specify the financial reporting framework generally accepted*] in [*name of country*]. I (We) believe that the results of my (our) procedures provide a reasonable basis for our conclusion.

***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 [*specify the financial reporting framework generally accepted*] in [*name of country*].

***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 [*specify the financial reporting framework generally accepted*] in [*name of country*], 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 5 — U.S Form of Independent Accountant's Review Report on Financial Statements Prepared in Accordance With International Financial Reporting Standards as Issued by the International Accounting Standards Board and the Review Is Performed in Accordance With SSARs and International Standard on Review Engagements 2400 (Revised) Issued by the International Auditing and Assurance Standards Board**

**Independent Accountant's Review Report**

[*Appropriate Addressee*]



I (We) have reviewed the accompanying financial statements of XYZ Company, which comprise the statements of financial position as of December 31, 20X2 and 20X1, and the related statements of comprehensive income, changes in 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 (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 the financial statements in accordance with International Financial Reporting Standards as Issued by the International Accounting Standards Board; this includes 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.

***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 and in accordance with International Standard on Review Engagements 2400 (Revised) issued by the International Auditing and Assurance Standards Board. 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 International Financial Reporting Standards as Issued by the International Accounting Standards Board. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

***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 International Financial Reporting Standards as Issued by the International Accounting Standards Board.

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

*[Accountant's city and state]*

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

**Proposed revision to definition of “financial reporting framework” in paragraph .06 of AR-C section 60 (new language is shown in *boldface italics*):**

**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 is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and*

*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; or*

*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 extremely rare circumstances.*

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

**Technical correction to the requirements with respect to the accountant’s review report. (new language is shown in *boldface italics*; deleted language is shown in ~~strikethrough~~):**

Requirements	
<b>Reporting on the Financial Statements</b>	
<i>Accountant’s Review Report</i>	
<b>.39</b>	The written review report should include (Ref: par. .A77)  a. a title that includes the word <i>independent</i> to clearly indicate that it is the report of an independent accountant. (Ref: par. .A65)

- b.* an addressee, as appropriate for the circumstances of the engagement. (Ref: par. .A66)
- c.* an introductory paragraph that (Ref: par. .A67–.A69)
  - 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* ~~sufficient to provide a reasonable basis for the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework.~~  
(Ref: par. .A70)

- 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. .A71–.A73)
  - ii. The accountant believes that the ~~review evidence the accountant has obtained is sufficient and appropriate~~ *results of the accountant’s procedures* ~~to~~ provide a *reasonable* basis for the accountant’s conclusion.

- f. a concluding section with an appropriate heading that includes 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. .A46)
- g. the manual or printed signature of the accountant's firm.
- h. the city and state where the accountant practices. (Ref: par. .A74)
- i. the date of the review report, which should be dated no earlier than the date on which the accountant 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 they have taken responsibility for those financial statements. (Ref: par. .A75-.A76)

**Proposed revisions to the requirements and guidance with respect to the accountant's consideration of going concern in a review of financial statements. (new language is shown in *boldface italics*; deleted language is shown in strikethrough):**

Requirements	Application Guidance
<p><b>Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters</b></p> <p><b>.22</b> The accountant should inquire of members of management who have responsibility for financial and accounting matters concerning the financial statements about (Ref: par. .A43)</p> <ul style="list-style-type: none"> <li><i>a.</i> whether the financial statements have been prepared and fairly presented in accordance with the applicable financial reporting framework consistently applied.</li> <li><i>b.</i> unusual or complex situations that may have an effect on the financial statements. (Ref: par. .A44)</li> <li><i>c.</i> significant transactions occurring or recognized during the period, particularly those in the last several days of the period.</li> <li><i>d.</i> 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).</li> <li><i>e.</i> matters about which questions have arisen in the course of applying the review procedures.</li> </ul>	

- f.* events subsequent to the date of the financial statements that 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. .A45)
- 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.
- j.* ***the basis for management's assessment of the entity's ability to continue as a going concern.***

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<p><b>k.</b> <i>whether there are any events or conditions that appear to cast doubt on the entity's ability to continue as a going concern.</i></p> <p><b>jl.</b> significant journal entries and other adjustments.</p> <p><b>km.</b> communications from regulatory agencies, if applicable.</p> <p><b>ln.</b> related parties and significant new related party transactions.</p> <p><b>no.</b> 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.</p> <p><b>np.</b> whether management believes that significant assumptions used by it in making accounting estimates are reasonable.</p> <p><b>oq.</b> 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. .A46)</p> <p><b>pr.</b> any other matters that the accountant may consider necessary.</p>	
<b>Written Representations</b>	



***Specific Written Representations***

**.34** 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 stating that (Ref: par. .A55-.A61)

- 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.* management has provided the accountant with all relevant information and access, as agreed upon in the terms of the engagement.
- d.* 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.

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- f.* management has disclosed to the accountant its knowledge of 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.
- g.* management has disclosed to the accountant its knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- h.* 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.
- i.* whether management 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.* management has disclosed to the accountant all known actual or possible litigation and claims

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<p>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.</p> <p>k. whether management believes that significant assumptions used by it in making accounting estimates are reasonable.</p> <p>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.</p> <p><b>m. <i>management has disclosed to the accountant all information relevant to use of the going concern assumption in the financial statements</i></b></p> <p><del>##n.</del> all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>	
<p><del>The Accountant's Consideration of <i>Inquiry Concerning</i> an Entity's Ability to Continue as a Going Concern</del></p>	<p><del>The Accountant's Consideration of <i>Inquiry Concerning</i> an Entity's Ability to Continue as a Going Concern</del></p>
<p><del><i>Consideration of Conditions or Events That Indicate That There Could Be an Uncertainty About the Entity's Ability to Continue as a Going Concern</i></del></p>	<p><del><i>Consideration of Conditions or Events That Indicate That There Could Be an Uncertainty About the Entity's Ability to Continue as a Going Concern</i></del></p>

*.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 (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; and (d) the adequacy of the related disclosures in the financial statements. (Ref: par. A112-.A114)*

*.A112 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.*

*.A113 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 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).*

*.A114 Most financial reporting frameworks requiring an explicit management evaluation of the entity's ability to continue as a going concern specify the period of time to be evaluated. For example, the financial reporting frameworks of the following standard-setting bodies specify such period of time as follows:*

- a. FASB. 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).*
- b. GASB. 12 months beyond the date of the financial statements. GASB further requires that, if a governmental entity currently knows information that may raise*

*substantial doubt shortly thereafter (for example, within an additional three months), such information should also be considered.*

*c. International Accounting Standards Board. At least, but not limited to, one year from the end of the reporting period.*

~~.6566~~ *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 (a) 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 (b) in the course of performing* The accountant should consider whether, during the performance of review procedures *on the current period financial statements, the accountant becomes aware of conditions or events that raise substantial doubt*, evidence or information came to the accountant's attention indicating that ~~there could be an uncertainty about the entity's ability to continue as a going concern, the accountant should~~ for a reasonable period of time. A reasonable period of time is the same period of time required of management to assess going concern when specified by the applicable financial reporting framework.

~~.A112.A115~~ *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 inquires of management or in the course of performing other review procedures. In performing review procedures, the accountant may identify information about certain conditions or events that, when considered in the aggregate, indicate there could be an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time. The significance of such conditions and events will depend on the circumstances, and some may have significance only when viewed in conjunction with others. The following are examples of such conditions and events:*

- *Negative trends.* For example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, 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, restructuring of debt, noncompliance with statutory capital requirements, need to seek new

*d. Inquire of management whether the premise that the entity will continue as a going concern for a reasonable period of time is appropriate*

<p>e. <i>Inquire of management about its plans for dealing with the adverse effects of the conditions and events, and (Ref: par. A115)</i></p> <p>f. <i>Consider the adequacy of the disclosure about such matters in the financial statements. (Ref: par. A116-.A117)</i></p> <p>If the applicable financial reporting framework does not specify a period of time for management, a reasonable period is <i>within</i> one year <del>from</del> <i>after</i> the date of the financial statements <i>are issued (or within one year after the date that the financial statements are available to be issued)</i> being reviewed (hereinafter referred to as a <i>reasonable period of time</i>). (Ref: par. .A112)</p>	<p>sources or methods of financing or to dispose of substantial assets</p> <ul style="list-style-type: none"> <li>• <i>Internal matters.</i> For example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project, uneconomic long-term commitments, need to significantly revise operations</li> <li>• <i>External matters that have occurred.</i> 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; uninsured or underinsured catastrophe, such as a drought, earthquake, or flood</li> </ul>
<p><b><i>Consideration of Financial Statement Effects</i></b></p> <p><del>.66</del> — If, after considering the evidence or information from paragraph .65, the accountant believes that there is an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time, the accountant should request that management consider the possible effects of the going concern uncertainty on the financial statements, including the need for related disclosure. (Ref: par. .A113)</p>	<p><b><i>Consideration of Financial Statement Effects</i></b></p> <p><b>.A113</b> <i>A116</i> In considering the adequacy of disclosure, some of the information that might be disclosed includes the following:</p> <ul style="list-style-type: none"> <li>• Principal conditions and events giving rise to the assessment of an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time</li> <li>• The possible effects of such conditions and events</li> <li>• Management's evaluation of the significance of those conditions and events and any mitigating factors</li> <li>• Possible discontinuance of operations</li> </ul>

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	<ul style="list-style-type: none"> <li>• Management's plans (including relevant prospective financial information)</li> <li>• Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities</li> </ul> <p><i>A117 If the accountant determines that disclosure related to substantial doubt about the entity's ability to continue as a going concern is inadequate, resulting in a departure from the applicable financial reporting framework, the accountant is required to apply paragraphs .56-.60 regarding known departures from the applicable financial reporting framework.</i></p>
<p><del>.67</del> — After management communicates to the accountant the results of its consideration of the possible effects on the financial statements, the accountant should consider the reasonableness of management's conclusions, including the adequacy of the related disclosure.</p>	
<p><b><i>Consideration of the Effects on the Accountant's Review Report</i></b></p>	<p><b><i>Consideration of the Effects on the Accountant's Review Report</i></b> (Ref: par. <del>.68</del>.67)</p>
<p><del>.68</del> — If the accountant determines that the entity's disclosures with respect to the entity's ability to continue as a going concern for a reasonable period of time are inadequate, a departure from the applicable financial reporting framework exists, and the accountant should follow the guidance in paragraphs .56-.60. (Ref: par. <del>A114</del> A116)</p>	<p><del>A114</del> If, after considering the evidence or information from paragraph .65 and management's consideration of the possible effects of the going concern uncertainty on the financial statements from paragraph .66, the accountant concludes that management has adequately disclosed the issue, the accountant may include an emphasis-of-matter paragraph in the accountant's review report pursuant to paragraphs .52 .53 and .54. The accountant is not required to include an emphasis-of-matter paragraph with respect to a going concern uncertainty.</p>
<p><del>.67</del> <b><i>The accountant should include an emphasis-of-matter paragraph in the accountant's review report in any of the following circumstances, regardless of whether the entity is</i></b></p>	<p><del>A115</del>A117 The following is an illustration of an emphasis-of-matter paragraph the accountant may include in the accountant's review report when the accountant concludes that management</p>

*required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists: (Ref: par. A117-.A119)*

*c. A going concern emphasis-of-matter paragraph was included in the prior period's report and*

*iii. the conditions or events giving rise to the emphasis-of-matter paragraph continue to exist and*

*iv. those conditions or events raise substantial doubt about the entities ability to continue as a going concern for a reasonable period of time and management's plans do not alleviate them*

*d. A going concern emphasis-of-matter paragraph was not included in the prior period's report and*

*iii. Management is required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists and*

*iv. Management has included such statement in the notes to the financial statements*

[Extant paragraphs .69-.77 are renumbered to paragraphs .68-.76. The content is unchanged.]

has adequately disclosed *that substantial doubt exists* ~~an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time and determines to include an emphasis-of-matter paragraph with respect to the going concern uncertainty:~~

***Emphasis of Matter***

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 that raises an uncertainty about its ability to continue as a going concern. Management's plans in regard to 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.

~~A116~~A118 *If conditions or events have been identified during the review that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, but (a) no statement relating to substantial doubt is included in the notes to the financial statements because management's plans have alleviated the substantial doubt or (b) the applicable financial reporting framework does not require inclusion of such statement in the notes to the financial statements, the accountant may include an emphasis-of-matter paragraph when management has disclosed the conditions or events in the notes to the financial statements but a statement related to*



*substantial doubt is not required to be included by the applicable financial reporting framework. The following is an illustration of an emphasis-of-matter paragraph when no statement relating to substantial doubt is included in the notes to the financial statements but conditions or events are disclosed.*

*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 plans in regards to these matters are also described in Note X.*

~~.A116~~A119 Examples of inappropriate wording in an emphasis-of-matter paragraph when the accountant concludes that management has adequately disclosed *that substantial doubt exists* ~~an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time and determines to include an emphasis-of-matter paragraph with respect to the going concern uncertainty~~ include the following:

- If the company continues to experience recurring losses from operations and continues to have a net capital deficiency, there may be an uncertainty about its ability to continue as a going concern.
- The company has been unable to renegotiate its expiring credit agreements. Unless the company is able to obtain financial support, there is an uncertainty about its ability to continue as a going concern.

[Extant paragraphs .A117-.A124 are renumbered to paragraphs .A120-.A127. The content is unchanged.]

*Proposed Amendment to AR-C section 90 Requirements When Referencing the Work of Other Accountants in an Accountant's Review Report*

<b>Introduction, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
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<p><i>Reference to the Work of Other Accountants in an Accountant's Review Report</i></p> <p><del>.78</del><sup>77</sup> If other accountants audited or reviewed the financial statements of significant components, such as consolidated and unconsolidated subsidiaries and investees, and the accountant of the reporting entity decides not to assume responsibility for the audit or review performed by the other accountants, the accountant of the reporting entity should make reference to the review or audit of such other accountants in the accountant's review report. In that instance, the accountant should clearly indicate in the accountant's review report that the accountant used the work of other accountants and should include the magnitude of the portion of the financial statements audited or reviewed by the other accountants. (Ref: par. <del>.A125A128–A127A130</del>)</p> <p><del>.78</del> <i>Reference to the audit or review of other accountants in the accountant's review report on the reporting entity should not be made unless the other accountants issued an auditor's or an accountant's review report that is not restricted as to use.</i></p>	<p><i>Reference to the Work of Other Accountants in an Accountant's Review Report</i> (Ref: par. <del>.78</del><sup>77</sup>)</p> <p><del>.A125</del><sup>A128</sup> The accountant of the reporting entity may make reference to any or all other accountants who audited or reviewed significant components. For example, if a significant component is audited or reviewed by an other accountant and a second significant component is audited or reviewed by a different other accountant, the accountant of the reporting entity may decide to make reference to one of the other accountants, both of the other accountants, or neither. The decision is solely at the discretion and judgment of the accountant of the reporting entity.</p> <p><del>.A126</del><sup>A129</sup> The disclosure of the magnitude of the portion of the financial statements audited or reviewed by other accountants may be achieved by stating the dollar amounts or percentages of total assets, total revenues, other appropriate criteria, or a combination of these, whichever most clearly describes the portion of the financial statements audited or reviewed by other accountants. When two or more other accountants participate in the audit or review, the dollar amounts or the percentages covered by the other accountants may be stated in the aggregate.</p> <p><del>.A127</del><sup>A130</sup> Exhibit C contains an example of appropriate reporting in the accountant's review report when reference is made to the audit or review of significant components, such as consolidated and unconsolidated subsidiaries and investees, by other accountants.</p>
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Determining Whether the Other Accountants Are Familiar with SSARSs or Auditing Standards Generally Accepted in the United States of America, as Applicable

- .79** Regardless of whether the accountant of the reporting entity decides to make reference to the review or audit of other accountants, the accountant of the reporting entity should communicate with the other accountants and ascertain *that*
- a. ~~that~~ the other accountants are aware that the financial statements of the component that the other accountants have audited or reviewed are to be included in the financial statements on which the accountant of the reporting entity will report and that the other accountants' report thereon will be relied upon and, where applicable, referred to by the accountant of the reporting entity.
  - b. ~~that~~ the other accountants are familiar with the applicable financial reporting framework and with SSARSs or auditing standards generally accepted in the United States of America, as applicable, and will conduct the review or audit in accordance therewith. **(Ref: par. A131)**
  - c. ~~that~~ a review will be made of matters affecting elimination of intercompany transactions and accounts and, if appropriate in the circumstances, the uniformity of accounting practices among the components included in the financial statements.

Determining Whether the Other Accountants Are Familiar with SSARSs or Auditing Standards Generally Accepted in the United States of America, as Applicable **(Ref: par. .79b)**

**.A131** *An other accountant's review report stating that the review was conducted in accordance with SSARSs or an auditor's report stating that the audit was conducted in accordance with GAAS is sufficient to make the determination required by paragraph .80b. When the other accountant has performed a review of the component financial statements in accordance with standards other than SSARSs or an audit of the component financial statements in accordance with auditing standards other than GAAS the accountant of the reporting entity may evaluate, exercising professional judgment, whether the engagement performed by the other accountant meets the relevant requirements of SSARSs or GAAS as applicable. For the purposes of complying with paragraph .80b, relevant requirements of SSARSs or GAAS are those that pertain to planning and performing the engagement on the component financial statements and do not include those related to the form of the accountant's review or the auditor's report. Reviews performed in accordance with International Standard on Review Engagements 2400 (Revised) and audits performed in accordance with International Standards on Auditing (ISAs), both of which are promulgated by the International Auditing and Assurance Standards Board (IAASB), are more likely to meet the relevant requirements of SSARSs and GAAS, respectively, than reviews or audits performed in accordance with review and auditing standards promulgated by bodies other than the IAASB. The other accountants may perform additional procedures in order to meet the relevant requirements of SSARSs or GAAS. The accountant of the reporting entity,*

Determining Whether to Make Reference When the Financial Reporting Framework is Not the Same

**.80** *If the component's financial statements are prepared using a different financial reporting framework from that used for the financial statements of the reporting entity, reference to the review or audit of the other accountants in the review report of the accountant of the reporting entity should not be made unless:*

- a. the measurement, recognition, presentation, and disclosure criteria that are applicable to all material items in the component's financial statements in accordance with the financial reporting framework used by the component are similar to the criteria that are applicable to all material items in the reporting entity's financial statements in accordance with the financial reporting framework used by the reporting entity, and*
- b. the accountant of the reporting entity has obtained sufficient appropriate review evidence for purposes of evaluating the appropriateness of the adjustments to convert the component's financial statements to the financial reporting framework used by the reporting entity without the need to assume responsibility for,*

*having determined that all relevant requirements of SSARSs or GAAS have been met by the other accountant, may decide to make reference to the review or audit of that other accountant in the accountant's review report on the reporting entity's financial statements.*

Determining Whether to Make Reference When the Financial Reporting Framework is Not the Same (*Ref: par. .80b*)

*.A132 The greater the number of differences or the greater the significance of the differences between the criteria used for measurement, recognition, presentation, and disclosure of all material items in the component's financial statements in accordance with the financial reporting framework used by the component and the financial reporting framework used by the reporting entity, the less similar they are. Financial statements prepared and presented in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Standard for Small- and Medium-sized Entities, as issued by the International Accounting Standards Board, are generally viewed as more similar to financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) than financial statements prepared and presented in accordance with jurisdiction-specific reporting frameworks or adaptations of IFRSs. In most cases, special purpose frameworks are not similar to GAAP.*

[Extant paragraphs .A128–.A147 are renumbered to paragraphs .A133–.A152. The content is unchanged.]

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*and thus, be involved in, the work of the other accountants. (Ref: par. A132)*

[Extant paragraphs .80–.92 are renumbered to paragraphs .81–.93. The content is unchanged.]