



Agenda Item 1B

*Statement on
Standards for
Accounting and
Review Services*

May 2018
24

Issued by the Accounting and Review Services Committee

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

(To amend Statement on Statement on Standards for Accounting and Review Services No. 21, Statements on Standards for Accounting and Review Services: Clarification and Recodification to add new AR-C section 100, Special Considerations – International Reporting Issues [AICPA, Professional Standards]; to amend paragraphs .07 and add new paragraph .A51 of AR-C section 60, General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services [AICPA, Professional Standards]; and to amend paragraphs .05, .34, .39, .65, ..79, .A115-.A116, and .A118-.A119; add new paragraphs .65, .67, .78, .80, .A10, .A116-.A117, .A120, .A124-.A125, and .A134-.A136; and delete paragraphs .66-.68 and .A117 of AR-C section 90, Review of Financial Statements [AICPA, Professional Standards])

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Summary

This standard adds AR-C section 100, *Special Considerations – International Reporting Issues* to provide requirements and guidance when an accountant is engaged to perform a compilation or review in either of the following circumstances:

- The financial statements have been prepared in accordance with a financial reporting framework generally accepted in another country.
- The compilation or review is to be performed in accordance with both SSARSs and another set of compilation or review standards.

This standard amends AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services (AICPA, Professional Standards)* as follows:

- Adds a definition for the term *fair presentation framework* and amends the definition of *financial reporting framework* included in paragraph .07.
- Adds paragraph .A51 to make clear that while the accountant may accept responsibility for the design, implementation, and maintenance of internal control, such an activity is a management responsibility and, as such, impairs independence if performed for an attest client. If an accountant accepts such responsibility, the accountant is precluded from performing a review of financial statements.

This standard amends AR-C section 90, *Review of Financial Statements (AICPA, Professional Standards)* as follows:

- Revises paragraph .05 to include a definition of *reasonable period of time* and adds a new application paragraph .A10 to provide guidance with respect to the new definition.
- Revises 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.
- Revises paragraph .39 to make the requirements regarding the contents of the accountant's review report consistent with the illustrative report examples in exhibit C of AR-C section 90.
- Adds paragraph .65 to require the accountant, 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, 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. Adds paragraphs .A116-.A117 to provide additional guidance regarding the requirement.

- Revises extant paragraph .65 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, the accountant is required to do the following:
 - 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.
 - c. Consider the adequacy of the disclosure about such matters in the financial statements.

Amends paragraph .A115-.A116 and adds paragraph .A120 to provide additional guidance regarding the requirement.

- Adds paragraph .67 to require the accountant to include an emphasis-of-matter paragraph in the accountant's review report if, after considering conditions or events and management's plans the accountant concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable time remains. Revises paragraphs .A118-.A119 and adds paragraphs .A124-.A125 to provide guidance.
- Adds paragraph .78 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 includes an alert that restricts the use of such report.
- Revises paragraph .79 of AR-C section 90 to include a requirement that the accountant of the reporting entity communicate with the other accountants and determine the other accountants understand the ethical requirements relevant to the engagement and, in particular, are independent. Adds paragraphs .A134-.A135 to AR-C section 90 to provide guidance with respect to the new requirement and the requirement for the accountant of the reporting entity to communicate with the other accountants and determine the other accountants are familiar with the applicable financial reporting framework and with SSARSs or with auditing standards generally accepted in the United States of America, and as applicable, and will conduct the review or audit in accordance therewith.

- Adds paragraph .80 to preclude the accountant, 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, from referencing the review or audit of the other accountants in the review report of the accountant of the reporting entity unless:
 - a. The accountant has determined that 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.
 - 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, and thus be involved in, the work of the other accountants.

Effective Dates

Except for the revision to paragraph .39 of AR-C section 90 which is effective upon issuance, all revisions are effective for compilations and reviews of financial statements for periods ending on or after June 15, 2019.

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(2016–2018)

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Note: Statements on Standards for Accounting and Review Services are issued by the Accounting and Review Services Committee (ARSC), the senior body of the institute designated to promulgate standards under the “General Standards Rule” (AICPA, Professional Standards, ET sec. 1.1300.001) and the “Compliance With Standards Rule” (ET sec. 1.1310.001) of the AICPA Code of Professional Conduct with respect to unaudited financial statements or other unaudited financial information of an entity that is not required to file financial statements with a regulatory agency in connection with the sale or trading of its securities in a public market.

AR-C section 100, Special Considerations - International Reporting Issues

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
Introduction	
Scope of This Section	
<p>.01 This section addresses circumstances in which an accountant is engaged to perform a compilation or review of financial statements in accordance with SSARSs in either of the following circumstances:</p> <ul style="list-style-type: none"> a. The financial statements 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). b. The compilation or review engagement is to be performed in accordance with both SSARSs and another set of compilation or review standards, such as International Standard on Related Services (Revised), <i>Compilation Engagements</i> (ISRS 4410 (Revised)), or International Standard on Review Engagements 2400 (Revised), <i>Engagements to Review Historical Financial Statements</i> (ISRE 2400 (Revised)). 	<p>A1. Pursuant to paragraph .10 of section 60, <i>General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services</i>, 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>.</p>
<p>.02 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.</p>	<p>A2. AR-C sections 80 and 90 apply to compilations and reviews, respectively, of financial statements prepared in accordance with financial reporting frameworks established by the bodies designated by the Council,</p>

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p>This section does not apply to financial statements prepared in accordance with financial reporting frameworks established by the bodies designated by the Council. (Ref: par. A2-A3)</p>	<p>including financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).</p> <p>A3. This section applies 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 such financial statements are in compliance with IFRS as promulgated by the IASB.</p>
<p>Effective Date</p>	
<p>.03 This section is effective for compilations and reviews of financial statements for periods ending on or after June 15, 2019</p>	
<p>Objective</p>	
<p>.04 The objective of the accountant, when performing a compilation or review</p> <p style="padding-left: 40px;">(a) of financial statements prepared in accordance with a financial reporting framework generally accepted in another country or</p> <p style="padding-left: 40px;">(b) in accordance with both SSARSs and another set of compilation or review standards,</p> <p>is to address appropriately the special considerations that are relevant to</p> <p style="padding-left: 40px;">i. the acceptance of the engagement,</p> <p style="padding-left: 40px;">ii. the planning and performance of the engagement, and</p> <p style="padding-left: 40px;">iii. reporting on the financial statements.</p>	

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
Requirements	
Considerations When Accepting the Engagement	Considerations When Accepting the Engagement (Ref: par. .05b, .06, and .10biii)
<p>.05 In a compilation or review of financial statements prepared in accordance with a financial reporting framework generally accepted in another country, in complying with paragraph .26b of AR-C section 60 which 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, the accountant should obtain an understanding of the following: (Ref: par. A4)</p> <ul style="list-style-type: none"> 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 b. The intended users of the financial statements c. The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances 	<p>.A4 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 or countries 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>
<p>.06 When the compilation or review engagement is to be performed in accordance with both SSARSs and another set of compilation or review standards and</p> <ul style="list-style-type: none"> (a) the financial statements are intended for use only outside of the United States and 	<p>.A5 Even when the form and content of the accountant’s compilation or review report presented in accordance with another set of compilation or review standards 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 such a compilation or review report may require the accountant to report on statutory compliance or otherwise require an understanding of local laws and regulations. When issuing such an accountant’s compilation or review report, the accountant is</p>

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p>(b) the accountant plans to use the form and content of the accountant’s compilation or review report of the other set of compilation or review standards,</p> <p>the accountant should obtain an understanding of the applicable legal responsibilities involved. (Ref: par. .A5)</p>	<p>required by paragraph .06 to obtain an understanding of applicable legal responsibilities, in addition to the compilation or review standards and the financial reporting framework, as required by paragraphs .05 and .08–.09. 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 requirements in the other set of compilation or review standards and associated legal responsibilities to obtain the understanding needed to issue the compilation or review report in accordance with the other set of compilation or review standards.</p>
<p>Compilation or Review of Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country</p> <p>.07 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. .A6–.A7)</p>	<p>Compilation or Review of Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country (Ref: par. .07)</p> <p>.A6 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 require 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 in which there is a greater likelihood that material misstatements may arise and to be able to design procedures to address those areas.</p> <p>.A7 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.</p>

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
.08 The accountant should comply with AR-C sections 80 and 90, with respect to compilations or reviews, respectively, of financial statements prepared in accordance with a financial reporting framework generally accepted in another country. 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.	
Application of Another Set of Compilation or Review Standards	Application of Another Set of Compilation or Review Standards (Ref: par. .09)
.09 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 another set of compilation or review standards in addition to SSARSs 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 .10a. (Ref: par. .A8–.A9)	.A8 When an accountant is applying another set of compilation or review standards such as, ISRS 4410 (Revised) or ISRE 2400 (Revised), the accountant may be required to perform procedures in addition to those procedures required by SSARSs. .A9 An understanding of another set of compilation or review standards may be obtained by reading the statutes or professional literature, or codifications thereof, which establish or describe such standards. .A10 Statutes or professional literature, or codifications thereof, however, may not include a complete description of another set of compilation or review standards. The accountant may consult with persons having expertise, including practical experience, in applying another set of compilation or review standards, as relevant.
Reporting	Reporting (Ref: par. .10a and .11)
	.A11 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 .10–.11.
<i>Reporting—Intended for Use Only Outside the United States</i>	

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p>.10 If the accountant is issuing an accountant’s compilation or review report on financial statements and such financial statements are intended for use only outside the United States, the accountant should use either of the following:</p> <p><i>a.</i> A report in accordance with SSARSs, the content of which includes: (Ref: par. .A11)</p> <p><i>i.</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.</p> <p><i>ii.</i> 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 if the financial statements are prepared in accordance with a financial reporting framework generally accepted in another country.</p> <p>or</p> <p><i>b.</i> The report form and content in accordance with another set of compilation or review standards (for example, as set forth in ISRS 4410 (Revised) or ISRE 2400 (Revised)), provided that:</p> <p><i>i.</i> Such a report would be issued by accountants in the other country in similar circumstances.</p>	

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
<p>ii. If a review engagement is performed, the accountant has obtained sufficient appropriate review evidence to support the conclusion expressed in the review report.</p> <p>iii. The accountant has complied with the reporting standards of the other set of compilation or review standards and identifies such standards in the report. (Ref: par. .A5)</p>	
<i>Reporting—Intended for Use in the United States</i>	<i>Reporting—Intended for Use in the United States</i> (Ref: par. .11)
<p>.11 If the financial statements are intended for use in the United States, the accountant should report in accordance with SSARSs including the requirements related to financial statements prepared in accordance with a special purpose framework from paragraph .21 of AR-C section 80 and paragraph .43 of AR-C section 90 for compilations and reviews, respectively. (Ref: par. .A12–.A13)</p>	<p>.A12 When reporting on financial statements prepared in accordance with a financial reporting framework generally accepted in another country that will be used both inside and outside the United States, the accountant may issue two reports: one of the reports described in paragraph .10 for use outside the United States and a report in accordance with SSARSs.</p> <p>.A13 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). 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 .10. The accountant may include in the reports that another report has been issued on the entity's financial statements 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. Such a statement may be included in a separate paragraph to the accountant's compilation or review report (this paragraph would be an emphasis-of-</p>

Introduction, Definitions, and Requirements	Application and Other Explanatory Material
	<p>matter paragraph in an accountant’s review report). The following is an example:</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>]. (Note X summarizes the significant differences between the [<i>specify the financial reporting framework generally accepted</i>] in [<i>name of country</i>] and accounting principles generally accepted in the United States of America.)</p>
<i>Accountant’s Report for Compilations or Reviews Conducted in Accordance With Both SSARSs and Another Set of Compilation or Review Standards</i>	
.12 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.	
.13 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 its origin.	

.A14

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 Performed in Accordance With SSARSs and Another Set of Compilation or Review Standards (Ref: par. .A11)

Illustration 1: Accountant’s Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Compilation Standards and the Financial Statements Are Intended for Use Only Outside the United States

Illustration 2: Independent Accountant’s Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Review Standards and the Financial Statements Are Intended for Use Only Outside the United States

Illustration 3: Accountant’s Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Compilation Standards and the Financial Statements Are Also Intended for Use in the United States

Illustration 4: Independent Accountant’s Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Review Standards and the Financial Statements Are Also Intended for Use in the United States

Illustration 5: Independent Accountant’s Review Report on Financial Statements Prepared in Accordance With SSARSs and in Accordance With International Financial Reporting Standards as Issued by the International Accounting Standards Board Performed in Accordance With SSARSs and International Standard on Review Engagements 2400 (Revised) Issued by the International Auditing and Assurance Standards Board and the Financial Statements Are Intended for Use Only Outside the United States

Illustration 1: Accountant’s Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Compilation Standards and the Financial Statements 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 in accordance with [*identify the other set of compilation standards*]. 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: Independent Accountant’s Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Review Standards and the Financial Statements 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 in accordance with *[identify the other review standards]*. 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 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 *[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: Accountant's Compilation Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Compilation Standards and the Financial Statements 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 in accordance with *[identify the other compilation standards]*. 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: Independent Accountant's Review Report to Report on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country Performed in Accordance With SSARSs and Another Set of Review Standards and the Financial Statements 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 in accordance with [*identify the other review standards*]. 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 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 [*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. My (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: Independent Accountant’s Review Report on Financial Statements Prepared in Accordance With SSARSs and in Accordance With International Financial Reporting Standards as Issued by the International Accounting Standards Board Performed in Accordance With SSARSs and International Standard on Review Engagements 2400 (Revised) Issued by the International Auditing and Assurance Standards Board and the Financial Statements 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 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 these 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), *Engagements to Review Historical Financial Statements*, 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]

Amendments to AR-C Section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services* (AICPA, *Professional Standards*)

Introduction

Scope of This Section

1. AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services* (AICPA, *Professional Standards*), provides general principles for engagements performed in accordance with Statements on Standards for Accounting and Review Services (SSARSs) issued by the Accounting and Review Services Committee (ARSC) and codified into AR-C sections. AR-C section 60 also sets forth the meaning of certain terms used in SSARSs when describing the professional requirements imposed on accountants performing a review, compilation, or an engagement to prepare financial statements.
2. This amendment accomplishes the following:
 - a. Adds a definition for the term *fair presentation framework* and amends the definition of *financial reporting framework* included in paragraph .07 of AR-C section 60.
 - b. Adds paragraph .A51 to make clear that while the accountant may accept responsibility for the design, implementation, and maintenance of internal control, such an activity is a management responsibility and, as such, impairs independence if performed for an attest client. If an accountant accepts such responsibility, the accountant is precluded from performing a review of financial statements.

Effective Date

3. This amendment is effective for engagements performed in accordance with SSARSs for periods ending on or after June 15, 2019

Amendments to AR-C section 60

4. The following represents the amendments to AR-C section 60. New language is shown in boldface italics.

[Paragraphs .01-.06 are unchanged.]

Definitions

.07 For purposes of SSARSs, the following terms have the meanings attributed as follows:

....

Fair presentation framework. See financial reporting framework.

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

The term fair presentation framework refers to a financial reporting framework that requires compliance with the requirements of the framework and

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 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.

....

[The content of all other defined terms in paragraph .07 and paragraphs .08-.25 are unchanged.]

.26 As a precondition for accepting an engagement to be performed in accordance with SSARSs, the accountant should

a. determine whether preliminary knowledge of the engagement circumstances indicate that ethical requirements regarding professional competence will be satisfied.

- b. determine whether the financial reporting framework selected by management to be applied in the preparation of the financial statements is acceptable. (Ref: par. .A49)
- c. obtain the agreement of management that it acknowledges and understands its responsibility (Ref: par. .A50)
 - i. for the selection of the financial reporting framework to be applied in the preparation of financial statements.
 - ii. for 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, unless the accountant decides to accept responsibility for such internal control. (**Ref: par. A51**)
 - iii. for preventing and detecting fraud.
 - iv. for ensuring that the entity complies with laws and regulations applicable to its activities.
 - v. for the accuracy and completeness of the records, documents, explanations, and other information, including significant judgments provided by management for the preparation of financial statements.
 - vi. to provide the accountant with (Ref: par. .A5152)
 - (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - (2) additional information that the accountant may request from management for the purpose of the engagement.
 - (3) unrestricted access to persons within the entity of whom the accountant determines it necessary to make inquiries.

[Paragraphs .A1-.A50 are unchanged.]

.A51 While the accountant may accept responsibility for the design, implementation, and maintenance of internal control, such an activity is a management responsibility and, as such impairs independence if performed for an attest client.⁵ Therefore, if an accountant accepts such responsibility the accountant would be precluded from performing a review of the financial statements.

⁵ ET 1.295.030.02k

[Paragraphs .A51-.A52 is renumbered to paragraph .A52-.A53. Content is unchanged]

Amendments to AR-C Section 90, *Review of Financial Statements*

Introduction

Scope of This Section

1. AR-C section 90, *Review of Financial Statements* addresses the accountant's responsibilities when engaged to review financial statements.
2. This amendment accomplishes the following:
 - a. Revises paragraph .05 to include a definition of *reasonable period of time* and adds a new application paragraph .A10 to provide guidance with respect to the new definition.
 - b. Revises paragraph .34 to include a specific written representation regarding disclosure of all information relevant to the use of the going concern assumption in the financial statements.
 - c. Revises paragraph .39 to make the requirements regarding the contents of the accountant's review report consistent with the illustrative report examples in exhibit C of AR-C section 90.
 - d. Adds paragraph .65 to require the accountant, 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, 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. Adds paragraphs .A116-.A117 to provide additional guidance regarding the requirement.
 - e. Adds paragraph .66 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, the accountant is required to do the following:
 - i. Inquire of management whether the going concern basis of accounting is appropriate.

- ii.* Inquire of management about its plans for dealing with the adverse effects of the conditions and events.
- iii.* Consider the adequacy of the disclosure about such matters in the financial statements.

Amends paragraph .A115 and adds paragraph .A120 to provide additional guidance regarding the requirement.

- f.* Adds paragraph .67 to require the accountant to include an emphasis-of-matter paragraph in the accountant’s review report if, after considering conditions or events and management’s plans the accountant concludes that substantial doubt about the entity’s ability to continue as a going concern for a reasonable time remains. Revises paragraphs .A118-.A119 and adds paragraphs .A124-.A125 to provide guidance.
- g.* Adds paragraph .78 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 includes an alert that restricts the use of such report.
- h.* Revises paragraph .79 of AR-C section 90 to include a requirement that the accountant of the reporting entity communicate with the other accountants and determine the other accountants understand the ethical requirements relevant to the engagement and, in particular, are independent. Adds paragraphs .A134-.A135 to AR-C section 90 to provide guidance with respect to the new requirement and the requirement for the accountant of the reporting entity to communicate with the other accountants and determine the other accountants are familiar with the applicable financial reporting framework and with SSARSs or with auditing standards generally accepted in the United States of America, and as applicable, and will conduct the review or audit in accordance therewith.
- i.* Adds paragraph .80 to preclude the accountant, 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, from referencing the review or audit of the other accountants in the review report of the accountant of the reporting entity unless:
 - i.* The accountant has determined that 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.
 - ii.* 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, and thus be involved in, the work of the other accountants.

Effective Date

3. These amendments are effective for reviews of financial statements for periods ending on or after June 15, 2019 with the exception of the revision to paragraph .39 which is effective upon issuance.

Amendments to AR-C section 90

4. The following represents the amendments to AR-C section 90. New language is shown in boldface italics; deleted language is shown by strikethrough.

Requirements	Application Guidance
[Paragraphs .01–.04 are unchanged.]	[Paragraphs .A1–.A9 are unchanged.]
Definitions	Definitions (Ref: par. 05)
<p>.05 For purposes of Statements on Standards for Accounting and Review Services (SSARSs), the following terms have the meanings attributed as follows:</p> <p>...</p> <p><i>Reasonable period of time. The period of time required by the applicable financial reporting framework or, if no such requirement exists, within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). (Ref: par. .A10)</i></p> <p>....</p>	<p>.A10 <i>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:</i></p> <p>a. FASB. <i>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).^{fn1}</i></p> <p>b. GASB. <i>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.^{fn2}</i></p> <p>c. International Accounting Standards Board. <i>At least, but not limited to, one year from the end of the reporting period.^{fn3}</i></p>

fn 1 “Pending Content” in FASB ASC 205-40-50-1.
fn2 Paragraph 16 of GASB Statement No. 56.
fn3 Paragraph 26 of IAS 1.

[Paragraphs .06–.33 are unchanged.]

[Paragraphs .A10–.A114 are renumbered to .A11 - .A115.]

.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~~ ***the following***: (Ref: par. .A55–.A61)

[List items *a–h* of paragraph .34 are unchanged.]

- i. Management has disclosed to the accountant whether ~~management~~ it 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 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.*

- k. Management has disclosed to the accountant whether ~~management~~ it believes that significant assumptions ~~used by it~~ used in making accounting estimates are reasonable.*

<p><i>l.</i> 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><i>m. Management has disclosed to the accountant all information relevant to use of the going concern assumption in the financial statements.</i></p> <p>¶n. <i>Management has properly accounted for</i> 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>[Paragraphs .35–38 are unchanged.]</p>	
<p>.39 The written review report should include <i>the following</i>: (Ref: par. .A80)</p> <p><i>a.</i> A title that includes the word <i>independent</i> to clearly indicate that it is the report of an independent accountant. (Ref: par. .A68)</p> <p><i>b.</i> An addressee, as appropriate for the circumstances of the engagement. (Ref: par. .A69)</p> <p><i>c.</i> An introductory paragraph that (Ref: par. .A70–.A72)</p> <p><i>i.</i> identifies the entity whose financial statements have been reviewed,</p> <p><i>ii.</i> states that the financial statements identified in the report were reviewed,</p>	

- 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. .A73)

- 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. .A74–.A76)
 - 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. .A49)
- g. The signature of the accountant’s firm.

<p><i>h.</i> The city and state where the accountant practices. (Ref: par. .A77)</p> <p><i>i.</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</p> <p style="padding-left: 40px;"><i>i.</i> all the statements that the financial statements comprise, including the related notes, have been prepared and</p> <p>management has asserted that they have taken responsibility for those financial statements. (Ref: par. .A78–.A79)</p>	
<p>[Paragraphs .40–.64 are unchanged.] Consideration of Conditions or Events That Indicate That There Could Be an Uncertainty About the <i>Inquiry Concerning</i> an Entity’s Ability to Continue as a Going Concern</p>	<p>Consideration of Conditions or Events That Indicate That There Could Be an Uncertainty About the <i>Inquiry Concerning</i> an Entity’s Ability to Continue as a Going Concern (Ref: par. .65–.66)</p>
<p><i>.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 (Ref: par. .A116–.A117)</i></p> <p style="padding-left: 40px;"><i>(a) whether the going concern basis of accounting is appropriate,</i></p>	<p><i>.A116 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.</i></p> <p><i>.A117 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</i></p>

<p>(b) <i>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,</i></p> <p>(c) <i>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</i></p> <p>(d) <i>the adequacy of the related disclosures in the financial statements.</i></p>	<p><i>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).</i></p>
<p>.6566 <i>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</i> The accountant should consider whether, during the performance of review procedures <i>on the current period financial statements, the accountant becomes aware of conditions or events that raise substantial doubt</i> , 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, <i>the accountant should:</i> 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. (Ref: par. A118 - .A119)</p> <p><i>a. Inquire of management whether the going concern basis of accounting is appropriate,</i></p>	<p>.A115.A118 <i>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.</i></p> <p>.A119 <i>The following are examples of such conditions and-or events that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time:</i></p> <ul style="list-style-type: none"> • <i>Negative trends.</i> For example, recurring operating losses, working capital deficiencies, negative cash

<p>b. Inquire of management about its plans for dealing with the adverse effects of the conditions and events, and (Ref: par. ..A120)</p> <p>c. Consider the adequacy of the disclosure about such matters in the financial statements. (Ref: par. .A121–.A122)</p> <p>If the applicable financial reporting framework does not specify a period of time for management, a reasonable period is one year from the date of the financial statements being reviewed (hereinafter referred to as a reasonable period of time). (Ref: par. .A115)</p>	<p>flows from operating activities, and other adverse key financial ratios</p> <ul style="list-style-type: none"> • <i>Other indications of possible financial difficulties.</i> For example, default on loan or similar agreements, arrearages in dividends, denial of usual trade credit from suppliers, a need to restructuring of debt to avoid default, noncompliance with statutory capital requirements, and a need to seek new sources or methods of financing or to dispose of substantial assets • <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, and a need to significantly revise operations • <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; and an uninsured or underinsured catastrophe such as a hurricane, tornado drought, earthquake, or flood
	<p>.A120 <i>The significance of such conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time can often be mitigated by other factors. The following list includes examples of plans that management may implement to mitigate conditions or events that raise substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time. The examples are not all-inclusive. Following each example is a list</i></p>

of the types of information that management should consider at the date that the financial statements are issued in evaluating the feasibility of the plans to determine whether it is probable^{fn4} that the plan will be effectively implemented within one year after the date that the financial statements are issued.^{fn5}

a. Plans to dispose of an asset or business

i. Restrictions on disposal of an asset or business, such as covenants that limit those transactions in loan or similar agreements, or encumbrances against the asset or business

ii. Marketability of the asset or business that management plans to sell

iii. Possible direct or indirect effects of disposal of the asset or business

b. Plans to borrow money or restructure debt

i. Availability and terms of new debt financing or availability and terms of existing debt refinancing, such as term debt, lines of credit, or arrangements for factoring receivables or sale-leaseback of assets

ii. Existing or committed arrangements to restructure or subordinate debt or to guarantee loans to the entity

iii. Possible effects on management's borrowing plans of existing restrictions on additional borrowing or the sufficiency of available collateral

c. Plans to reduce or delay expenditures

i. Feasibility of plans to reduce overhead or administrative expenditures, to postpone maintenance or research and development projects, or to lease rather than purchase assets

ii. Possible direct or indirect effects on the entity and its cash flows of reduced or delayed expenditures

d. Plans to increase ownership equity

i. Feasibility of plans to increase ownership equity, including existing or committed arrangements to raise additional capital

ii. Existing or committed arrangements to reduce current dividend requirements or to accelerate cash infusions from affiliates or other investors

^{fn4} *The FASB ASC master glossary defines probable as “the future event or events are likely to occur.”*

^{fn5} *“Pending Content” in FASB ASC 205-40-55-3.*

Consideration of Financial Statement Effects

~~.66~~ — 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. .A116)

Consideration of Financial Statement Effects

~~.A116~~ .A121 In considering the adequacy of disclosure, some of the information that ~~might~~ *may* be disclosed, ***depending on the requirements of the financial reporting framework***, includes the following:

- Principal conditions and events ***that raise substantial doubt*** 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
- The possible effects of such conditions and events

	<ul style="list-style-type: none"> • Management's evaluation of the significance of those conditions and events <i>in relation to the entity's ability to meet its obligations</i> and any mitigating factors • Possible discontinuance of operations • Management's plans (including relevant prospective financial information) <i>that are intended to mitigate the conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time</i> • Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities
<p>.67 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><i>Consideration of the Effects on the Accountant's Review Report</i></p>	<p><i>Consideration of the Effects on the Accountant's Review Report</i> (Ref: par. .68.67)</p>
<p>.68 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. A117 A119)</p>	<p>A117 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>

.67 If, after considering conditions or events and management's plans, the accountant concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, the accountant should include an emphasis of-matter paragraph in the accountant's review report. (Ref: par. .A123-.A125)

~~.A118~~*A123* The following is an illustration of an *going concern* emphasis-of-matter paragraph *when* (a) the accountant may include in the accountant's review report when the accountant concludes *substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time*, (b) *management's plans do not alleviate the substantial doubt*, and (c) *the entity is required under the applicable financial reporting framework to include a statement in the notes to the financial statements 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:

Emphasis of Matter Regarding Going Concern

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, ***and has stated that substantial doubt exists*** that raises an uncertainty about ***the Company's*** its ability to continue as a going concern. Management's ***evaluation of the events and conditions and management's*** plans ~~in~~ regarding ~~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.

.A124 The following is an illustration of a going concern emphasis-of-matter paragraph when (a) the accountant

concludes that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time, (b) management's plans do not alleviate the substantial doubt, and (c) the entity is not required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists.

Emphasis of Matter Regarding Going Concern

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 raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding 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.

.A125 If conditions or events, considered in the aggregate, have been identified that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time but, based on the review evidence obtained, the accountant concludes that substantial doubt has been alleviated by management's plans, the accountant may include an emphasis-of-matter paragraph making reference to management's disclosures related to the conditions and events and management's plans related to those conditions or events. The following is an illustration of an emphasis-of-matter paragraph when

.68 The emphasis-of-matter paragraph about the entity's ability to continue as a going concern for a reasonable period of time should be expressed through the use of terms consistent with those included in the applicable financial reporting framework. In a going concern emphasis-of-matter paragraph, the accountant should not use conditional language concerning the existence of substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. (Ref: par. A126)

management has disclosed (a) conditions or events , (a) conditions or events, considered in the aggregate, that raised substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time; (b) its evaluation of the significance of those conditions or events, considered in the aggregate, in relation to the entity's ability to meet its obligations; and (c) that the substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time has been alleviated by management's plans

Emphasis of Matter Regarding 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. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note X. Our conclusion is not modified with respect to this matter.

~~A119~~A126 Examples of inappropriate wording—*use of conditional language* in an emphasis-of-matter paragraph when the accountant concludes that management has adequately disclosed *that conditions or events have been identified and 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 *entity* continues to suffer *experience* recurring losses from operations and continues to have a net capital deficiency, there may be an

	<p>uncertainty substantial doubt about its ability to continue as a going concern.</p> <ul style="list-style-type: none"> The company entity has been unable to renegotiate its expiring credit agreements. Unless the company entity is able to obtain financial support, there is an uncertainty substantial doubt about its ability to continue as a going concern. <p>[Extant paragraphs .A120–.A127 are renumbered to paragraphs .A127–.A134. The content is unchanged.]</p>
<p><i>.69 If adequate disclosure about an entity’s ability to continue as a going concern for a reasonable period of time is not made in the financial statements, the accountant should apply paragraphs .56–.60 regarding known departures from the applicable financial reporting framework.</i></p> <p>[Extant paragraphs .69–.77 are renumbered as paragraphs .70–.78. The content is unchanged.]</p>	
<p>Reference to the Work of Other Accountants in an Accountant’s Review Report</p>	<p>Reference to the Work of Other Accountants in an Accountant’s Review Report (Ref: par. .7877)</p>
<p>.7877 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</p>	<p>.A128A131 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>.A129A132 The disclosure of the magnitude of the portion of the financial statements audited or reviewed by other accountants may be</p>

reviewed by the other accountants. (Ref: par. ~~.A128A131–~~
~~.A130A133~~)

- .78 ***Reference to the audit or review of other accountants in the accountant's review report on the reporting entity should not be made if the other accountants issued an auditor's or an accountant's review report that includes an alert that restricts the use of such report.***

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~~ ***determine the following:***

- b. ~~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.
- c. ~~that~~ The other accountants are familiar with the applicable financial reporting framework and with

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.

- ~~.A130~~A133 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.

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***)

- ~~.A134~~ ***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 .79b. 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 .79b, 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***

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. .A134)

- d. *The other accountants understand the ethical requirements that are relevant to the engagement and, in particular, are independent. (Ref: par. .A135)*
- e. ~~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 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. 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 likely to meet the relevant requirements of SSARSs and GAAS, respectively. The other accountants may perform additional procedures in order to meet the relevant requirements of SSARSs or GAAS. The accountant of the reporting entity, 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.

.A135 *When the other accountants are not subject to the AICPA Code of Professional Conduct, compliance by the other accountants with the ethics and independence requirements set forth in the International Federation of Accountants Code of Ethics for Professional Accountants is sufficient to fulfill the other accountants' ethical responsibilities.*

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

.A136 *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 the financial reporting frameworks. Financial statements prepared and presented in*

report of the accountant of the reporting entity should not be made unless:

- a. The accountant has determined that 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.*
- 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, and thus be involved in, the work of the other accountants. (Ref: par. .A136)*

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

accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Standard for Small- and Medium-Sized Entities, as issued by the International Accounting Standards Board, are generally viewed as similar to financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In most cases, special purpose frameworks are not similar to GAAP.

[Extant paragraphs .A131–.A150 are renumbered to paragraphs .A137–.A156. The content is unchanged.]