Agenda Item 1A

Draft of Proposed Revised AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services* for convergence with ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

Proposed new wording to AR-C section 60 are shown in ***bold italics*** and proposed deleted wording is shown in ~~strikethrough~~.

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Introduction	
Scope of This Section	**Scope of This Section (Ref: par. .~~01 and~~ .04)**
.01 This section 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. This section also sets forth the meaning of certain terms used in SSARSs when describing the professional requirements imposed on accountants performing an engagement in accordance with SSARSs.	
.02 This section is intended to help accountants better understand their professional responsibilities when performing an engagement in accordance with SSARSs. Additional sections have been established to set forth specific performance and reporting requirements. Such additional requirements are based on the general principles provided by this section, and any requirements created by this section also have been incorporated into the additional sections.	

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.03 SSARSs do not address the responsibilities of the accountant that may exist in legislation, regulation, or otherwise. Such responsibilities may differ from those established in SSARSs. Accordingly, although the accountant may find aspects of SSARSs helpful in such circumstances, it is the responsibility of the accountant to ensure compliance with all relevant legal, regulatory, or professional obligations.	
.04 The financial statements subject to the engagement performed in accordance with SSARSs are those of the entity. SSARSs do not impose responsibilities on management and do not override laws and regulations that govern their responsibilities. (Ref: par. .A4–.A11)	**.A4** If the accountant is engaged to perform a professional service in accordance with SSARSs on financial information other than financial statements (for example, the preparation or compilation of prospective financial information or the compilation of pro forma financial information), references in this section to *financial statements* are to be taken as references to such other financial information. **.A5** The preparation and fair presentation of the financial statements require • the identification of the applicable financial reporting framework, in the context of any relevant laws or regulations. • the preparation and fair presentation of the financial statements in accordance with that framework. • the inclusion of an adequate description of that framework in the financial statements. The preparation and fair presentation of the financial statements require management to exercise judgment when making accounting estimates that are reasonable in the circumstances as well as when selecting and applying appropriate accounting policies. These judgments are made in the context of the applicable financial reporting framework.

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	.A6 The financial statements may be prepared in accordance with one of the following: • A general purpose framework (a financial reporting framework designed to meet the common financial information needs of a wide range of users) • A special purpose framework **.A7** The applicable financial reporting framework often encompasses financial accounting standards promulgated by an authorized or recognized standards-setting organization or legislative or regulatory requirements. In some cases, the financial reporting framework may encompass both financial accounting standards promulgated by an authorized or recognized standards-setting organization and legislative or regulatory requirements. Other sources may provide direction on the application of the applicable financial reporting framework. In some cases, the applicable financial reporting framework may encompass such other sources or may even consist only of such sources. Such other sources may include the following: • The legal and ethical environment, including statutes, regulations, court decisions, and professional ethical obligations regarding accounting matters • Published accounting interpretations of varying authority issued by standards-setting, professional, or regulatory organizations • Published views of varying authority on emerging accounting issues issued by standards-setting, professional, or regulatory organizations • General and industry practices widely recognized and prevalent

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	• Accounting literature When conflicts exist between the financial reporting framework and the sources from which direction on its application may be obtained or among the sources that encompass the financial reporting framework, the source with the highest authority prevails. **.A8** The requirements of the applicable financial reporting framework determine the form and content of the financial statements. Although the framework may not specify how to account for or disclose all transactions or events, it ordinarily embodies sufficiently broad principles that can serve as a basis for developing and applying accounting policies that are consistent with the concepts underlying the requirements of the framework. **.A9** The financial accounting standards promulgated by organizations that are authorized or recognized to promulgate standards to be used by entities for preparing financial statements in accordance with a general purpose framework include the FASB *Accounting Standards Codification*®; International Financial Reporting Standards, issued by the International Accounting Standards Board; Statements of Federal Financial Accounting Standards, issued by the Federal Accounting Standards Advisory Board for U.S. federal government entities; and Statements of the Governmental Accounting Standards Board, issued by the Governmental Accounting Standards Board for U.S. state and local governmental entities. **.A10** The requirements of the applicable financial reporting framework also determine what constitutes a complete set of financial statements. In the case of many frameworks, financial statements are intended to provide information about the financial position, financial performance, and cash flows of an entity. For example, a complete set

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	of financial statements might include a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and related notes. For some other financial reporting frameworks, a single financial statement and the related notes might constitute a complete set of financial statements. Examples of a single financial statement, each of which would include related notes, include the following: • Balance sheet • Statement of income or statement of operations • Statement of retained earnings • Statement of cash flows • Statement of assets and liabilities • Statement of changes in owners' equity • Statement of revenue and expenses • Statement of operations by product lines **.A11** An accountant may be engaged to prepare or perform a compilation or review engagement on a complete set of financial statements or an individual financial statement (for example, balance sheet only). The financial statements may be for an annual period or for a shorter or longer period, depending on management's needs. However, it is likely not appropriate for the entity to present financial statements for a period longer or shorter than an annual period in a comparative presentation with financial statements for an annual period.
Effective Date	
.05 This section is effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, ~~2015~~***2020***. ~~Early implementation is permitted.~~	
Objective	

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.06 The objective of the accountant is to obtain an understanding of the general principles for engagements performed in accordance with SSARSs.	
Definitions	**Definitions (Ref: par. .07)**
.07 For purposes of SSARSs, the following terms have the meanings attributed as follows: *Applicable financial reporting framework.* ***The financial reporting framework adopted by management and, when appropriate, those charged with governance in the preparation and fair presentation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.*** *Compliance framework.* ***See financial reporting framework.*** **Engagement partner.** The partner or other person in the firm who is responsible for the engagement and its performance and for the report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body. **Engagement team.** All partners and staff performing the engagement and any individuals engaged by the firm or a network firm who perform procedures on the engagement. **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).	

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The term fair presentation framework refers to a financial reporting framework that requires compliance with the requirements of the framework and does one of the following: *(Ref: par. .A12)* 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. 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. *The term compliance framework is used to refer to a* financial reporting framework that requires compliance with the requirements of the framework but does not contain the acknowledgment in (a) or (b). **Financial statements.** A structured representation of historical financial information, including *disclosures*, intended to communicate an entity's economic resources and obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term *financial statements* ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework but can also refer to a single financial statement. *Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement or in the notes, or incorporated therein by reference.*	*.A12 Many entities use the cash or tax basis of accounting in preparing their financial statements. Such financial statements are widely recognized and often accepted by banks and other stakeholders. In addition, guidance on the preparation of such financial statements has been available and prevalent for many years. For these reasons, the cash and tax bases of accounting are considered fair presentation frameworks.*

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Firm. A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA and that is engaged in the practice of public accounting. *General purpose financial statements.* ***Financial statements prepared in accordance with a general purpose framework.*** *General purpose framework.* ***A financial reporting framework designed to meet the common financial information needs of a wide range of users.*** **Interpretive publications.** Interpretations of SSARSs; exhibits to SSARSs; AICPA Guide *Preparation, Compilation, and Review Engagements*, guidance on preparation, compilation, and review engagements included in AICPA Audit and Accounting Guides; and AICPA Statements of Position, to the extent that those statements are applicable to such engagements. **Other preparation, compilation and review publications.** Publications other than interpretive publications. (Ref: par. ***A13***) **Professional judgment.** The application of relevant training, knowledge, and experience, within the context provided by SSARSs, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the preparation, compilation, or review engagement. **Prospective financial information** Any financial information about the future. The information may be presented as complete financial statements or limited to one or more elements, items, or accounts. *Special purpose financial statements.* ***Financial statements prepared in accordance with a special purpose framework.***	*A13* Other preparation, compilation, and review publications include • AICPA preparation, compilation, and review publications not defined as interpretive publications; • AICPA's annual alert addressing engagements performed in accordance with SSARSs; • articles addressing preparation, compilation, and review engagements in the *Journal of Accountancy* and other professional journals; • continuing professional education programs and other instruction materials, • textbooks, guide books, programs for preparation, compilation, and review engagements • checklists; and • other publications addressing preparation, compilation, and review engagements from state CPA societies, other organizations, and individuals.

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Special purpose framework. ***A financial reporting framework other than GAAP*** ***designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.*** **See definition of** ***financial reporting framework. (Ref: par. .A14-.A15)***	***.A14 The following are examples of special purpose frameworks:*** **a.** *Cash basis.* ***A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets).*** **b.** *Tax basis.* ***A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements.*** **c.** *Regulatory basis.* ***A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance commission).*** **d.** *Contractual basis.* **A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the accountant.** **e.** *Other-basis.* ***A basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements.*** ***The cash-basis, tax-basis, regulatory-basis, and other-basis of accounting are commonly referred to as*** **other comprehensive bases of accounting.** ***.A15 Certain regulators, including state and local government legislators, regulatory agencies, or departments, require financial statements to be prepared in accordance with a financial reporting***

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a. *Cash basis.* ***A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets). ¶***
b. *Tax basis.* ***A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements. ¶***
c. *Regulatory basis.* ***A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance commission). (Ref: par. .A13)¶***
d. *Contractual basis.* **A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the accountant.¶**
e. *Other-basis.* ***A basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements.¶***
The cash-basis, tax-basis, regulatory-basis, and other-basis of accounting are commonly referred to as **other comprehensive bases of accounting***Special purpose framework.* ***A financial reporting framework other than GAAP***

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	framework that is based on GAAP but does not comply with all of the requirements of GAAP. Such frameworks are regulatory-bases of accounting, as described in paragraph .07. In some circumstances, however, the cash- or tax-basis of accounting may be permitted by a regulator. For purposes of this section, the cash- and tax-bases of accounting are not regulatory-bases of accounting.
Requirements	
Ethical Requirements	**Ethical Requirements (Ref: par. .08)**
.08 The accountant should comply with relevant ethical requirements. (Ref: par. .~~A13~~***A16***–.~~A16~~***A19***)	.~~A13~~*A16* The accountant is subject to relevant ethical requirements relating to engagements performed in accordance with SSARSs. Ethical requirements consist of those contained in the AICPA Code of Professional Conduct, together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive.
	.~~A14~~*A17* The AICPA Code of Professional Conduct establishes the fundamental principles of professional ethics, which include the following: • Responsibilities • The public interest • Integrity • Objectivity and independence • Due care • Scope and nature of services
	.~~A15~~*A18* Due care requires the accountant to discharge professional responsibilities with competence and have the appropriate capabilities to perform the engagement and enable an appropriate accountant's report to be issued, if applicable.

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	.~~A16~~*A19* QC section 10, *A Firm's System of Quality Control*, sets out the firm's responsibilities to establish and maintain its system of quality control for engagements performed in accordance with SSARSs and establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including those pertaining to independence.
Professional Judgment	**Professional Judgment (Ref: par. .09)**
.09 The accountant should exercise professional judgment in the performance of an engagement in accordance with SSARSs. (Ref: par. .~~A17~~***A20***–.~~A21~~***A24***)	.~~A17~~*A20* Professional judgment is essential to the proper conduct of an engagement in accordance with SSARSs because interpretation of relevant ethical requirements and SSARSs and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances.
	.~~A18~~*A21* The distinguishing feature of the professional judgment expected of the accountant is that it is exercised by an accountant whose training, knowledge, and experience have assisted in developing the necessary competencies to achieve reasonable judgments and make informed decisions about appropriate courses of action when undertaking an engagement in accordance with SSARSs. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, assists the accountant in making informed and reasonable judgments.
	.~~A19~~*A22* The exercise of professional judgment in individual engagements is based on the facts and circumstances that are known by the accountant throughout the engagement, including

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	• knowledge acquired from engagements carried out for the entity's financial statements in prior periods, where applicable. • the accountant's understanding of the entity and its environment, including its accounting system, and the application of the applicable financial reporting framework in the entity's industry. • the extent to which the preparation and presentation of the financial statements requires the exercise of judgment by management or the accountant, if applicable. .~~A20~~*A23* Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of SSARSs and accounting principles and is appropriate in light of, and consistent with, the facts and circumstances that were known to the accountant up to the date of the issuance of financial statements prepared by the accountant or the date of the accountant's compilation or review report. .~~A21~~*A24* Professional judgment needs to be exercised throughout the engagement performed in accordance with SSARSs. It also needs to be appropriately documented in accordance with the requirements of the applicable AR-C section. Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or, in a review engagement, the evidence obtained.
Conduct of the Engagement in Accordance With SSARSs	**Conduct of an Engagement in Accordance With SSARSs**
.10 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*.	

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Complying With AR-C Sections Relevant to the Engagement	**Complying With AR-C Sections Relevant to the Engagement (Ref: par. .11–.12)**
.11 The accountant should comply with all AR-C sections relevant to the engagement. An AR-C section is relevant to the engagement when the AR-C section is in effect, and the circumstances addressed by the AR-C section exist. (Ref: par. .~~A22~~***A25***–.~~A27~~***A30***)	.~~**A22**~~*A25* ARSC is designated to promulgate standards under the "General Standards Rule" (ET sec. 1.300.001) and the "Compliance With Standards Rule" (ET sec. 1.310.001) 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. ARSC develops and issues standards in the form of SSARSs through a process that includes deliberation in meetings open to the public, public exposure of proposed SSARSs, and a formal vote. SSARSs are codified in AR-C sections in AICPA *Professional Standards*.
	.~~**A23**~~*A26* SSARSs provide the standards used for fulfilling the overall objectives of the accountant's work. SSARSs address the general responsibilities of the accountant as well as the accountant's further considerations relevant to the application of those responsibilities to specific topics.
	.~~**A24**~~*A27* The scope, effective date, and any specific limitation of the applicability of a specific AR-C section are made clear in the AR-C section. Unless otherwise stated in the AR-C section, the accountant is permitted to apply an AR-C section before the effective date specified therein.
	.~~**A25**~~*A28* In certain engagements, the accountant also may be required to comply with other requirements in addition to SSARSs. SSARSs do not override law or regulation that governs a review, compilation, or an engagement to prepare financial statements. In the event that such law or regulation differs from SSARSs, an engagement

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	conducted only in accordance with law or regulation will not necessarily comply with SSARSs. .~~A26~~*A29* The accountant may also conduct the compilation or review of financial statements in accordance with both SSARSs and • International Standard on Related Services 4410 (Revised), *Compilation Engagements*, • International Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements*, or • compilation or review standards of a specific jurisdiction or country. In such cases, in addition to complying with each of the AR-C sections relevant to the engagement, it may be necessary for the accountant to perform additional compilation or review procedures in order to comply with the other compilation or review standards. .~~A27~~*A30* SSARSs are relevant to engagements to prepare financial statements and compilations and reviews of financial statements of governmental entities. The accountant's responsibilities, however, may be affected by law, regulation, or other authority (such as government policy requirements or resolutions of the legislature), which may encompass a broader scope than an engagement in accordance with SSARSs. These additional responsibilities are not dealt with in SSARSs.
.12 The accountant should have an understanding of the entire text of an AR-C section, including its application and other explanatory material, to understand its objectives and apply its requirements properly. (Ref: par. .~~A28~~*A31*–.~~A32~~*A35*)	.~~A28~~*A31* In addition to objectives and requirements, an AR-C section contains related guidance in the form of application and other explanatory material. It may also contain introductory material that provides context relevant to a proper understanding of the AR-C section and definitions. The entire text of an AR-C section, therefore,

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	is relevant to an understanding of the objectives stated in an AR-C section and the proper application of the requirements of an AR-C section.
	.~~A29~~*A32* When necessary, the application and other explanatory material provides further explanation of the requirements of an AR-C section and guidance for carrying them out. In particular, it may • explain more precisely what a requirement means or is intended to cover. • include examples of procedures that may be appropriate in the circumstances. Although such guidance does not, in itself, impose a requirement, it is relevant to the proper application of the requirements of an AR-C section. The accountant is required by paragraph .12 to understand the application and other explanatory material; how the accountant applies the guidance in the engagement depends on the exercise of professional judgment in the circumstances consistent with the objective of the AR-C section. The words "may," "might," and "could" are used to describe these actions and procedures. The application and other explanatory material may also provide background information on matters addressed in an AR-C section.
	.~~A30~~*A33* Appendixes form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related AR-C section or within the title and introduction of the appendix itself.
	.~~A31~~*A34* Introductory material may include, as needed, such matters as explanation of the following:

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	• The purpose and scope of the AR-C section, including how the AR-C section relates to other AR-C sections • The subject matter of the AR-C section • The respective responsibilities of the accountant and others in relation to the subject matter of the AR-C section • The context in which the AR-C section is set .~~A32~~*A35* An AR-C section may include, in a separate section under the heading "Definitions," a description of the meanings attributed to certain terms for purposes of SSARSs. These are provided to assist in the consistent application and interpretation of SSARSs and are not intended to override definitions that may be established for other purposes, whether in law, regulation, or otherwise. Unless otherwise indicated, those terms will carry the same meanings throughout SSARSs.
.13 An accountant should not represent compliance with SSARSs in the accountant's compilation or review report unless the accountant has complied with the requirements of this section and all other AR-C sections relevant to the engagement.	
Complying With Relevant Requirements	**Complying With Relevant Requirements (Ref: par. .14)**
.14 Subject to paragraph .16, the accountant should comply with each requirement of the relevant AR-C section unless, in the circumstances of the engagement, the requirement is not relevant because it is conditional, and the condition does not exist. (Ref: par. .~~A33~~***A36***)	.~~A33~~*A36* In some cases, a requirement may be expressed as being conditional on applicable law or regulation. For example, the accountant may be required to withdraw from the engagement when withdrawal is possible under applicable law or regulation, or the accountant may be required to perform a certain action, unless prohibited by law or regulation.
Defining Professional Responsibilities in SSARSs	**Defining Professional Responsibilities in SSARSs (Ref: par. .15)**
.15 SSARSs use the following two categories of professional requirements, identified by specific terms, to describe the degree of responsibility they impose on accountants:	

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• *Unconditional requirements.* The accountant must comply with an unconditional requirement in all cases in which such requirement is relevant. SSARSs use the word "must" to indicate an unconditional requirement. • *Presumptively mandatory requirements.* The accountant must comply with a presumptively mandatory requirement in all cases in which such a requirement is relevant, except in rare circumstances discussed in paragraph .16. SSARSs use the word "should" to indicate a presumptively mandatory requirement. (Ref: par. .~~A34~~***A37***)	.~~**A34**~~*A37* If an AR-C section provides that a procedure or action is one that the accountant "should consider," consideration of the procedure or action is presumptively required. Whether the accountant performs the procedure or action is based upon the outcome of the accountant's consideration and the accountant's professional judgment.
.16 In rare circumstances, the accountant may judge it necessary to depart from a relevant presumptively mandatory requirement. In such circumstances, the accountant should perform alternative procedures to achieve the intent of the requirement. The need for an accountant to depart from a relevant, presumptively mandatory requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the intent of the requirement.	
.17 If, in rare circumstances, the accountant judges it necessary to depart from a relevant presumptively mandatory requirement, the accountant must document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement.	
Interpretive Publications	**Interpretive Publications (Ref: par. .18)**
.18 The accountant should consider applicable interpretive publications in the performance of an engagement in accordance with SSARSs. (Ref: par. .~~A35~~***A38***)	.~~**A35**~~*A38* Interpretive publications are not SSARSs. *Interpretive publications* are recommendations on the application of SSARSs in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of ARSC only after all ARSC members have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with SSARSs. Compilation and

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	review interpretations of SSARSs and exhibits to SSARSs are included in the AR-C sections.
Other Preparation, Compilation and Review Publications	**Other Preparation, Compilation and Review Publications (Ref: par. .19)**
.19 In applying the guidance included in an other preparation, compilation and review publication, the accountant should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the engagement. (Ref: par. .~~A36~~***A39***–.~~A38~~***A41***)	.~~**A36**~~*A39* Other preparation, compilation and review publications have no authoritative status; however, they may help the accountant understand and apply SSARSs. The accountant is not expected to be aware of the full body of other preparation, compilation and review publications. .~~**A37**~~*A40* Although the accountant determines the relevance of these publications in accordance with paragraph .19, the accountant may presume that other preparation, compilation and review publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are appropriate. These other preparation, compilation and review publications are listed in the exhibit, "Other Preparation, Compilation and Review Publications." .~~**A38**~~*A41* When determining whether an other preparation, compilation and review publication that has not been reviewed by the AICPA Audit and Attest Standards staff is appropriate to the circumstances of the engagement, the accountant may wish to consider the degree to which the publication is recognized as being helpful in understanding and applying SSARSs and the degree to which the publisher or author is recognized as an authority in matters addressing preparation, compilation, and review engagements. An other preparation, compilation, and review publication that has not been reviewed by the AICPA Audit and Attest Standards staff that contradicts an other preparation, compilation and review publication that has been reviewed by the AICPA Audit and Attest Standards staff is inappropriate.
Engagement Level Quality Control	**Engagement Level Quality Control (Ref: par. .21)**

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.20 In an engagement performed in accordance with SSARSs, the engagement partner should possess the competence and capabilities to perform the engagement and competence in financial reporting, appropriate to the engagement circumstances.	
.21 In an engagement performed in accordance with SSARSs, the engagement partner should take responsibility for the following: (Ref: par. .~~A39~~*A42*–.~~A42~~*A45*) *a.* The overall quality of each engagement to which that partner is assigned	.~~**A39**~~*A42* Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures applicable to the engagement and provide the firm with relevant information to enable the functioning of that part of the firm's system of quality control relating to independence. .~~**A40**~~*A43* The actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking responsibility for the overall quality of each engagement, emphasize the fact that quality is essential when performing an engagement in accordance with SSARSs and the importance to the quality of the engagement of *a.* performing work that complies with professional standards and regulatory and legal requirements. *b.* complying with the firm's quality control policies and procedures, as applicable. *c.* issuing a report, if applicable, for the engagement that is appropriate in the circumstances. *d.* the engagement team's ability to raise concerns without fear of reprisals. .~~**A41**~~*A44* Unless information provided by the firm or other parties suggests otherwise, the engagement team is entitled to rely on the

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	firm's system of quality control. For example, the engagement team may rely on the firm's system of quality control in relation to • competence of personnel through their recruitment and formal training. • independence through the accumulation and communication of relevant independence information. • maintenance of client relationships through acceptance and continuance systems. • adherence to regulatory and legal requirements through the monitoring process. When considering the deficiencies identified in the firm's system of quality control that may affect the engagement, the engagement partner may consider measures taken by the firm to rectify those deficiencies. .~~A42~~*A45* A deficiency in the firm's system of quality control does not necessarily indicate that an engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements or that the accountant's report, if applicable, was not appropriate.
b. The direction, supervision, planning and performance of the engagement in compliance with professional standards and applicable legal and regulatory requirements (Ref: par. .~~A43~~*A46*)	**Assignment of Engagement Teams (Ref: par. .21b)** .~~A43~~*A46* When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner may take into consideration such matters as the team's
c. The accountant's report being appropriate in the circumstances	
d. The engagement being performed in accordance with the firm's quality control policies and procedures, including the following:	

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i. Being satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and engagements have been followed, and that conclusions reached are appropriate, including considering whether there is information that would lead the engagement partner to conclude that management lacks integrity (Ref: par. .~~A44~~*A47*–.~~A45~~*A48*) ii. Being satisfied that the engagement team collectively has the appropriate competence and capabilities to perform the engagement and expertise in financial reporting to (1) perform the engagement in accordance with professional standards and applicable legal and regulatory requirements and (2) enable a report that is appropriate in the circumstances to be issued, if applicable iii. Taking responsibility for appropriate engagement documentation being maintained.	• understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation. • understanding of professional standards and applicable legal and regulatory requirements. • technical expertise, including expertise with relevant information technology and specialized areas of accounting or attest services. • knowledge of relevant industries in which the client operates. • ability to apply professional judgment. • understanding of the firm's quality control policies and procedures. **Acceptance and Continuance of Client Relationships and Engagements Performed in Accordance With SSARSs (Ref: par. .21*d*(i))** .~~A44~~*A47* QC section 10 requires the firm to obtain information considered necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Information such as the following assists the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and engagements in accordance with SSARSs are appropriate: • The integrity of the principal owners, key management, and those charged with governance of the entity

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Introduction, Objectives, Definitions and Requirements	Application and Other Explanatory Material
	• Whether the engagement team is competent to perform the engagement and has the necessary capabilities, including time and resources • Whether the firm and the engagement team can comply with relevant ethical requirements • Significant findings or issues that have arisen during the current or previous engagement and their implications for continuing the relationship .~~A45~~*A48* If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it is not appropriate to accept the engagement, unless required by law or regulation, because doing so may lead to the accountant being associated with the entity's financial statements in an inappropriate manner.
Relevant Considerations After Engagement Acceptance	
.22 If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the engagement partner should communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action.	
Compliance With Relevant Ethical Requirements	
.23 Throughout the engagement, the engagement partner should remain alert, through observation and making inquiries as necessary, for evidence of noncompliance with relevant ethical requirements by members of the engagement team. If matters come to the engagement partner's attention through the firm's system of quality control or otherwise that indicate that members of the engagement team have not complied with relevant ethical requirements, the engagement partner, in consultation with others in the firm, should determine the appropriate action.	
Monitoring	
.24 An effective system of quality control for a firm includes a monitoring process designed to provide the firm with reasonable assurance that the firm's	

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policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively. The engagement partner should consider the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the engagement.	
Acceptance and Continuance of Client Relationships and Engagements	**Acceptance and Continuance of Client Relationships and Engagements (Ref: par. .25–.26)**
.25 The accountant should not accept an engagement to be performed in accordance with SSARSs if (Ref: par. .~~A46~~***A49***) *a.* the accountant has reason to believe that relevant ethical requirements will not be satisfied; (Ref: par. .~~A47~~***A50***) *b.* the accountant's preliminary understanding of the engagement circumstances indicates that information needed to perform the engagement is likely to be unavailable or unreliable; or (Ref: par. .~~A48~~***A51***) *c.* the accountant has cause to doubt management's integrity such that it is likely to affect the performance of the engagement.	.~~**A46**~~*A49* The accountant's consideration of engagement continuance and relevant ethical requirements occurs throughout the engagement as conditions and changes in circumstances occur. Performing initial procedures on engagement continuance and evaluation of relevant ethical requirements at the beginning of an engagement informs the accountant's decisions and actions prior to the performance of other significant activities for the engagement. .~~**A47**~~*A50* Relevant ethical requirements with respect to a review engagement include independence. .~~**A48**~~*A51* This consideration is not directed at the need that sometimes arises in the course of an engagement to assist management by recommending adjusting entries required to finalize the financial statements prepared by management. An example of where the accountant may have cause to doubt whether the information needed to perform the review will be available or reliable is when the accounting records necessary for performing analytical procedures are suspected to be substantially inaccurate or incomplete.
.26 As a precondition for accepting an engagement to be performed in accordance with SSARSs, the accountant should	

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~~a. determine whether preliminary knowledge of the engagement circumstances indicate that ethical requirements regarding professional competence will be satisfied.~~ ~~b~~a. determine whether the financial reporting framework selected by management to be applied in the preparation of the financial statements is acceptable. (Ref: par. .~~A49~~*A52*-.*A58*)	*The Applicable Financial Reporting Framework* .*A52* ***An applicable financial reporting framework provides the criteria for management to present the financial statements of an entity, including the fair presentation of those financial statements. The criteria used by the accountant to evaluate or measure the subject matter, including, when relevant, a basis for presentation and disclosure, are also provided by the financial reporting framework. These criteria enable reasonably consistent evaluation or measurement of a subject matter within the context of professional judgment.*** .*A53* ***Without an acceptable financial reporting framework, management does not have an appropriate basis for the preparation of the financial statements, and the accountant does not have suitable criteria for an engagement in accordance with SSARSs. In many cases, the accountant may presume that the applicable financial reporting framework is acceptable, as described in paragraphs .A56-.A58.*** **Determining the Acceptability of the Financial Reporting Framework** .~~**A49**~~ *A54* Factors that are relevant to the accountant's determination of the acceptability of the financial reporting framework selected by management to be applied in the preparation of the financial statements include the following: • ***The nature of the entity (for example, whether it is a business enterprise, a governmental entity, or a not-for-profit organization)***

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	• The purpose of the financial statements (for example, whether they are prepared to meet the common financial information needs of a wide range of users) • ***The nature of the financial statements (for example, whether the financial statements are a complete set of financial statements or a single financial statement)*** • Whether law or regulation prescribes the applicable financial reporting framework
	A55 Many users of financial statements are not in a position to demand financial statements tailored to meet their specific information needs. Although all the information needs of specific users cannot be met, financial information needs that are common to a wide range of users exist. Financial statements prepared in accordance with a financial reporting framework designed to meet the common financial information needs of a wide range of users are referred to as general purpose financial statements.
	General purpose frameworks. ***The sources of established accounting principles that are generally accepted are accounting principles promulgated by a body designated by the Council of the AICPA to establish such principles, pursuant to the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct. Such financial reporting standards often are identified as the applicable financial reporting framework in law or regulation governing the preparation of general purpose financial statements.***
	Special purpose frameworks. ***In some cases, the financial statements will be prepared in accordance with a special purpose framework. For example, law or regulation may prescribe the financial reporting framework to be used in the preparation of***

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	***financial statements for certain types of entities. Such financial statements are referred to as* special purpose financial statements.**
	.A58 After the engagement has been accepted, the accountant may encounter deficiencies in the applicable financial reporting framework that indicate that the framework is not acceptable. When use of that framework is not prescribed by law or regulation, management may decide to adopt another framework that is acceptable. When management does so, the previously agreed-upon terms will have changed.
~~c~~**b**. obtain the agreement of management that it acknowledges and understands its responsibility (Ref: par. .~~A50~~*A59*-.*A63*) i. for the selection of the financial reporting framework to be applied in the preparation of financial statements.	**.~~A50~~** *A59* In accordance with this section, the accountant is required to obtain the agreement of management on management's responsibilities in relation to the financial statements as a condition precedent to accepting the engagement. In smaller entities, management may not be well-informed about what those responsibilities are, including those arising in applicable law or regulation. In order to obtain management's agreement on an informed basis, the accountant may find it necessary to discuss those responsibilities with management in advance of seeking management's agreement on its responsibilities.
	.A60 The financial statements are those of the entity. This section does not impose responsibilities on management and those charged with governance, nor does it override laws and regulations that govern their respective responsibilities. However, an engagement performed in accordance with SSARSs is conducted on the premise that management, and those charged with governance as appropriate, have acknowledged certain responsibilities that are fundamental to the conduct of the engagement. The accountant's

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	engagement does not relieve management and those charged with governance of their responsibilities.
	.A61 As part of its responsibility for the preparation of the financial statements, management is required to exercise judgment in making accounting estimates that are reasonable in the circumstances, and to select and apply appropriate accounting policies. These judgments are made in the context of the applicable financial reporting framework.
	.A62 Because of the significance of the preconditions for undertaking an engagement in accordance with SSARSs, the accountant is required in accordance with this section to obtain the agreement of management that it understands its responsibilities before accepting a SSARSs engagement. The accountant may obtain management's agreement either orally or in writing. However, management's agreement is subsequently recorded within the written terms of the engagement.
	.A63 If management, and those charged with governance where appropriate, do not or will not acknowledge their responsibilities in relation to the financial statements, it is not appropriate to accept the engagement.
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~~***A64***)	***.~~A51~~*** *.A64* Although the accountant may accept responsibility for the design, implementation, and maintenance of internal control, accepting such responsibility would impair the accountant's independence. Therefore, if an accountant accepts such responsibility, the accountant would be precluded from performing a review of the financial statements.
iii. for preventing and detecting fraud.	

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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. .~~A51~~*A65*) (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.	.~~**A51**~~ *A65* The accountant is entitled to rely on management to provide all relevant information for the engagement. The form of the information provided by management for the purpose of the engagement will vary in different engagement circumstances. In broad terms, it will comprise records, documents, explanations, and other information relevant to the preparation of the financial statements in accordance with the financial reporting framework adopted by management. The information provided may include, for example, information about management's assumptions, intentions, or plans underlying development of accounting estimates needed to prepare the financial statements in accordance with the applicable financial reporting framework.

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Draft of Proposed Revised AR-C section 70, *Preparation of Financial Statements*

Proposed new wording to AR-C section 70 are shown in ***bold italics*** and proposed deleted wording is shown in ~~strikethrough~~.

[Paragraphs .01–.06 and .A1-.A5 are unchanged.]

Introduction, Objectives, Definitions and Requirements	Application and Other Explanatory Material
Definitions	**Definitions**
.07 For purposes of Statements on Accounting and Review Standards (SSARSs),the following terms have the meanings attributed as follows:… ~~**Applicable financial reporting framework.** The financial reporting framework adopted by management and, when appropriate, those charged with governance in the preparation and fair presentation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.~~ … … …	~~**.A6** Certain regulators, including state and local government legislators, regulatory agencies, or departments, require financial statements to be prepared in accordance with a financial reporting framework that is based on GAAP but does not comply with all of the requirements of GAAP. Such frameworks are regulatory bases of accounting, as defined in paragraph .05. In some circumstances, however, the cash- or tax-basis of accounting may be permitted by a regulator. For purposes of this section, the cash and tax bases of accounting are not regulatory bases of accounting.~~

Deleted: **Special purpose framework.** A financial reporting framework other than GAAP that is one of the following bases of accounting: ¶
a. Cash basis. A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets). ¶
b. Tax basis. A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements. ¶
c. Regulatory basis. A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance commission). (Ref: par. .A5)

Deleted: d. Contractual basis. A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the accountant.¶
e. Other-basis. A basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements.¶
The cash-basis, tax-basis, regulatory-basis, and other-basis of accounting are commonly referred to as *other comprehensive bases of accounting*.

[Paragraphs .08–.23 are unchanged; paragraphs .A7-.A22 are renumbered to paragraphs .A6–.A21. The content is unchanged.]

Draft of Proposed Revised AR-C section 80, *Compilation Engagements*

Proposed new wording to AR-C section 80 are shown in ***bold italics*** and proposed deleted wording is shown in ~~strikethrough~~.

[Paragraphs .01–.04 and .A1-.A4 are unchanged.]

Introduction, Objectives, Definitions and Requirements	Application and Other Explanatory Material
Definitions	**Definitions**
.05 For purposes of Statements on Accounting and Review Standards (SSARSs),the following terms have the meanings attributed as follows: ~~**Applicable financial reporting framework.** The financial reporting framework adopted by management and, when appropriate, those charged with governance in the preparation and fair presentation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.~~ **…** … …	~~Certain regulators, including state and local government legislators, regulatory agencies, or departments, require financial statements to be prepared in accordance with a financial reporting framework that is based on GAAP but does not comply with all of the requirements of GAAP. Such frameworks are regulatory bases of accounting, as defined in paragraph .05. In some circumstances, however, the cash- or tax basis of accounting may be permitted by a regulator. For purposes of this section, the cash- and tax-bases of accounting are not regulatory bases of accounting.~~

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Deleted: **Special purpose framework.** A financial reporting framework other than GAAP that is one of the following bases of accounting: ¶
a. Cash basis. A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets). ¶
b. Tax basis. A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements. ¶
c. Regulatory basis. A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance commission). (Ref: par. .A5)

Deleted: d. Contractual basis. A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the accountant.¶
e. Other-basis. A basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements.¶
The cash-basis, tax-basis, regulatory-basis, and other-basis of accounting are commonly referred to as *other comprehensive bases of accounting.*

[Paragraphs .06–.07 are unchanged; paragraphs .A6-.A8 are renumbered to paragraphs .A5–.A7. The content is unchanged.]

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Acceptance and Continuance of Client Relationships and Compilation Engagements	
.08 As a condition for accepting an engagement to perform a compilation with respect to an entity's financial statements, in addition to the requirements in paragraph .26 of section 60, the accountant should obtain the agreement of management that it acknowledges and understands its responsibility a. for the preparation ***(***and***, in the case of a fair presentation framework, the*** fair presentation of***)*** financial statements in accordance with the applicable financial reporting framework and the inclusion of all informative disclosures that are appropriate for the applicable financial reporting framework used to prepare the entity's financial statements. If the financial statements are prepared in accordance with a special purpose framework, this includes (Ref:par..~~A9~~***A10***) i. a description of the special purpose framework, including a summary of significant accounting policies, and how the framework differs from GAAP, the effect of which need not be quantified, and informative disclosures similar to those required by GAAP, in the case of special purpose financial statements ***prepared in accordance with a fair presentation framework*** that contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP, (Ref:par..~~A28~~***A29***) ii. a description of any significant interpretations of the contract on which the special purpose financial statements are ~~prepared~~ ***based***, in the case of financial statements prepared in accordance with a contractual-basis of accounting, and	

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iii. ***for a fair presentation financial reporting framework,*** additional disclosures beyond those specifically required by the framework that may be necessary for the special purpose framework to achieve fair presentation. b. to include the accountant's compilation report in any document containing financial statements that indicates that the entity's accountant has performed a compilation engagement on such financial statements unless a different understanding is reached. (Ref: par. .~~A10~~***A11***)	

[Paragraphs .09–.17 are unchanged; paragraphs .A9-.A27 are renumbered to paragraphs .A8–.A26. The content is unchanged.]

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The Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Special Purpose Framework	**The Accountant's Compilation Report on Financial Statements Prepared in Accordance With a Special Purpose Framework (Ref: par. .08, .18, and .20)**
.18 Unless the entity elects to omit substantially all disclosures, the accountant should modify the compilation report when that accountant becomes aware that the financial statements do not include a. a description of the special purpose framework. (Ref:par. ***.A27-***.A28) b. a summary of significant accounting policies. (Ref:par..A29) c. an adequate description about how the special purpose framework differs from GAAP. The effects of these differences need not be quantified.	*.A27* ***There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorized or recognized standards setting organization such as U.S. GAAP, or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires financial statements to be prepared in accordance with most, but not all, of U.S. GAAP. When this is acceptable in the circumstances of the engagement it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial statements to imply full compliance with the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation.***

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(Ref:par..~~A28~~***A30***) d. ***in financial statements prepared in accordance with a fair presentation framework,*** informative disclosures similar to those required by GAAP when the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP. (Ref:par..A31)	***In the preceding example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make reference to U.S. GAAP.*** **.A28** The description of the special purpose framework may be included in the financial statement titles, in the notes to the financial statements, or otherwise on the face of the financial statements. Although terms such as *balance sheet*, *statement of financial position*, *statement of income*, *statement of operations*, and *statement of cash flows* or similar unmodified titles, are generally understood to be applicable only to financial statements that are intended to present financial position, results of operations, or cash flows in accordance with GAAP, such titles, with appropriate modification, may be used in connection with financial statements prepared in accordance with a special purpose framework. Suitable financial statement titles for financial statements prepared in accordance with a special purpose framework include, but are not limited to • a modified cash-basis financial statement that might be titled o "Income Statement—Modified Cash-Basis," or o "Statement of Cash Receipts and Disbursements." • financial statements prepared in accordance with the tax-basis of accounting that might be titled o "Balance Sheet—Tax-Basis," o "Statement of Assets, Liabilities, and Equity—Tax-Basis," o "Statement of Operations—Tax-Basis," or

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	○ "Statement of Revenue and Expenses—Tax-Basis." • a financial statement prepared in accordance with a regulatory-basis of accounting that might be titled "Statement of Income—Regulatory-Basis." **.A29** Financial statements prepared in accordance with a special purpose framework need not include a summary of significant accounting policies or a description about how the special purpose framework differs from GAAP if such financial statements omit substantially all disclosures, and the omission of substantially all disclosures is not, to the accountant's knowledge, undertaken with the intention of misleading those who might reasonably be expected to use such financial statements. **.A30** The description of how the special purpose framework differs from GAAP ordinarily only includes the material differences between GAAP and the special purpose framework. For example, if several items are accounted for differently in accordance with the special purpose framework than they would be in accordance with GAAP, but only the differences in how depreciation is calculated are material, a brief description of the depreciation differences is all that would be necessary, and the remaining differences need not bed escribed or quantified. **.A31** Financial statements prepared when applying a ***fair presentation*** special purpose framework are not considered appropriate in form unless the financial statements include informative disclosure similar to those required by GAAP if the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP.
.19 In the case of financial statements prepared in accordance with ~~a~~	

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~~contractual basis of accounting~~ ***the provisions of a contract***, the accountant should ***consider whether the financial statements adequately describe any significant interpretations of the contract on which the financial statements are based and*** modify the compilation report if the financial statements do not adequately describe any significant interpretations of the contract on which the financial statements are based.	
.20 ***In the case of an accountant's compilation report on special purpose financial statements,*** ~~The accountant's compilation report on financial statements prepared in accordance with a special purpose framework should~~ ***if management has a choice of financial reporting frameworks in the preparation of the special purpose financial statements, the explanation of management's responsibility for the financial statements should also*** make reference to ~~management's~~ ***its*** responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances ~~when management has a choice of financial reporting frameworks in the preparation of such financial statements~~. ~~b. describe the purpose for which the financial statements are prepared or refer to a note in the financial statements that contains that information when the financial statements are prepared in accordance with a regulatory or contractual basis of accounting. (Ref:par..A32)~~	~~**.A32** When the financial statements are prepared in accordance with a regulatory or contractual basis of accounting, the accountant is required by paragraph .20b to describe the purpose for which the financial statements are prepared or refer to a note in the financial statements that contains that information. This is necessary to avoid misunderstandings when the financial statements are used for purposes other than those for which they were intended. The note to the financial statements may also describe any significant interpretations of the contract on which the financial statements are based.~~
.21 The accountant's compilation report on financial statements prepared in accordance with a special purpose framework should include a separate paragraph that ***(Ref: par. A32-.A33)*** a. indicates that the financial statements are prepared in accordance with the applicable special purpose framework, b. refers to the note to the financial statements that describes the framework, if applicable, and	*.A32* ***Special purpose financial statements may be used for purposes other than those for which they were intended. To avoid misunderstandings, paragraph .21 requires the accountant to include a separate paragraph in the accountant's compilation report that alerts users of the accountant's compilation report that the financial statements are prepared in accordance with a special purpose framework and that the basis of accounting is a basis of accounting other than GAAP.*** *.A33* ***Financial statements prepared in accordance with a special purpose framework may be the only financial statements an entity***

Commented [MG3]: This is "evaluate" in the proposed revisions to auditing standards being considered by the ASB.

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c. states that the special purpose framework is a basis of accounting other than GAAP. ***For special purpose financial statements prepared in accordance with a contractual basis of accounting, the separate paragraph also should state that, as a result, the financial statements may not be suitable for another purpose.***	***prepares. Such special purpose financial statements may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements, the financial statements are still considered to be special purpose financial statements for purposes of SSARSs. The requirement in paragraph .21 is designed to avoid misunderstandings about the framework used to prepare the financial statements.***

[Paragraphs .22–.40 are unchanged; paragraphs .A33-.A48 are renumbered to paragraphs .A34–.A49. The content is unchanged.]

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Draft of Proposed Revised AR-C section 90, *Review of Financial Statements* for convergence with ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

Proposed new wording to AR-C section 90 are shown in ***bold italics*** and proposed deleted wording is shown in ~~strikethrough~~.

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Introduction, Objectives, Definitions and Requirements	Application and Other Explanatory Material
Introduction	**Introduction ~~(Ref: par. 03)~~**
Scope and Applicability of This Section	**Scope and Applicability of This Section (Ref: par. .01)**
.01 This section applies when the accountant is engaged to perform a review of financial statements. This section also applies when the accountant is engaged to review other historical financial information, excluding pro forma financial	**.A1** If the accountant is engaged to perform a review of historical financial information other than financial statements, references in

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information. Reviews of pro forma financial information are to be performed in accordance with Statements on Standards for Attestation Engagements. (Ref: par. .A1–.A3)	this section to *financial statements* are to be taken as a reference to such other historical financial information. **.A2** Examples of other historical financial information that an accountant may be engaged to review include, but are not limited to, the following: • Specified elements, accounts, or items of a financial statement, such as schedules of rentals, royalties, profit participation, or provision for income taxes • Supplementary information • Required supplementary information • Financial information contained in a tax return **.A3** The accountant may review a single financial statement, such as a balance sheet, and not other related financial statements, such as the statements of income, retained earnings, and cash flows, if the scope of the accountant's inquiry and analytical procedures have not been restricted.
.02 This section does not apply when the accountant is engaged to review interim financial information when *a.* the entity's latest annual financial statements have been audited by the accountant or a predecessor; *b.* the accountant either i. has been engaged to audit the entity's current year financial statements or ii. audited the entity's latest annual financial statements and, in situations in which it is expected that the current year financial	

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statements will be audited, the engagement of another accountant to audit the current year financial statements is not effective prior to the beginning of the period covered by the review; and *c*. the entity prepares its interim financial information in accordance with the same financial reporting framework as that used to prepare the annual financial statements. AU-C section 930, *Interim Financial Information*, provides guidance for review engagements when the conditions in *a–c* are met.	
The Engagement to Review Financial Statements	
.03 ***In a review of financial statements, the accountant expresses a conclusion regarding the entity's financial statements in accordance with an applicable financial reporting framework. The accountant's conclusion is based on the accountant obtaining limited assurance. The accountant's report includes a description of the nature of a review engagement as context for the readers of the report to be able to understand the conclusion.***	
.04 ***The accountant performs primarily analytical procedures and inquiries to obtain sufficient appropriate review evidence as the basis for a conclusion on the financial statements as a whole, expressed in accordance with the requirements of this section.***	
.05 ***If the accountant becomes aware of a matter that causes the accountant to believe the financial statements may be materially misstated, the accountant designs and performs additional procedures, as the accountant considers necessary in the circumstances, to be able to conclude on the financial statements in accordance with this section.***	
Effective Date	
~~.03~~ *.06* This section is effective for reviews of financial statements for periods ending on or after December 15, ~~2015~~***2020***. ~~Early implementation is permitted.~~	
Objectives	**Objectives (Ref: par. ~~.04~~***.07*~~ and .28~~**)**

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.~~04~~ *07* ***In conducting a review of financial statements,*** ~~T~~*t*he objectives of the accountant ~~when performing a review of financial statements is~~ ***are*** to a. obtain limited assurance***, primarily by performing analytical procedures and inquiries,*** 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~~,. primarily through the performance of inquiry and analytical procedures.~~***; and*** (Ref: par. .A4~~–.A9~~) b. ***Report on the financial statements as a whole and communicate, as required by this section.***	**.A4** A review differs significantly from an audit of financial statements in which the auditor obtains reasonable assurance, which is a high, but not absolute level of assurance, that the financial statements are free of material misstatement. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit. Accordingly, in a review, the accountant does not obtain assurance that he or she will become aware of all significant matters that would be disclosed in an audit. Therefore, a review is designed to obtain only limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the applicable financial reporting framework. ~~**Materiality**~~ ~~**.A5** The accountant's consideration of materiality is made in the context of the applicable financial reporting framework. Some financial reporting frameworks discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that~~ ~~• misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;~~

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	• judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement or a combination of both; and • judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. **.A6** If present in the applicable financial reporting framework, a discussion of the concept of materiality provides a frame of reference to the accountant in determining, as required by paragraph .28, whether there are any material modifications that should be made to the financial statements in order for the statements to be in accordance with the applicable financial reporting framework. If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph .A5 provide the accountant with such a frame of reference. **.A7** The accountant's determination of materiality is a matter of professional judgment and is affected by the accountant's perception of the needs of the intended users of the financial statements. In this context, it is reasonable for the accountant to assume that users • have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence; • understand that financial statements are prepared, presented, and reviewed to levels of materiality;

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	• ~~recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and~~ • ~~make reasonable economic decisions on the basis of the information in the financial statements.~~ ~~Further, unless the review engagement is undertaken for financial statements that are intended to meet the particular needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.~~ ~~**.A8** The accountant's judgment about what is material in relation to the financial statements as a whole is the same regardless of the level of assurance obtained by the accountant as a basis for expressing a conclusion on the financial statements.~~ ~~**Revising Materiality**~~ ~~**.A9** The accountant's determination of materiality for the financial statements as a whole may need to be revised during the engagement as a result of~~ • ~~a change in the circumstances that occurred during the review (for example, a decision to dispose of a major part of the entity's business).~~ • ~~new information, or a change in the accountant's understanding of the entity and its environment as a result of performing review procedures (for example, if during the review it appears actual financial results are likely to be substantially different from anticipated period-end financial~~

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	~~results that were used initially to consider materiality for the financial statements as a whole).~~
.08 ***In all cases when limited assurance cannot be obtained, the accountant is required to withdraw from the engagement.***	
Definitions	
.~~05~~ *~~.~~09* For purposes of Statements on Standards for Accounting and Review Services (SSARSs), the following terms have the meanings attributed as follows: **Analytical procedures.** Evaluations of financial information through analysis of plausible relationships among both financial and nonfinancial data. Analytical procedures also encompass such investigation, as is necessary, of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount. **Comparative financial statements.** A complete set of financial statements for one or more prior periods included for comparison with the financial statements of the current period. **Designated accounting standard-setter.** A body designated by the Council of the AICPA to promulgate accounting principles generally accepted in the United States of America pursuant to the "Compliance With Standards Rule"	

Deleted: Applicable financial reporting framework. The financial reporting framework adopted by management and, when appropriate, those charged with governance in the preparation and fair presentation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.¶

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(ET sec. 1.310.001) and the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct. **Emphasis-of-matter paragraph.** A paragraph included in the accountant's review report that is required by SSARSs, or is included at the accountant's discretion, and that refers to a matter appropriately presented or disclosed in the financial statements that, in the accountant's professional judgment, is of such importance that it is fundamental to the users' understanding of the financial statements. **Error.** Mistakes in the financial statements, including arithmetical or clerical mistakes, and mistakes in the application of accounting principles, including inadequate disclosures. **Experienced accountant.** An individual (whether internal or external to the firm) who has practical review experience and a reasonable understanding of *a.* review processes; *b.* SSARSs and applicable legal and regulatory requirements; *c.* the business environment in which the entity operates; and *d.* review and financial reporting issues relevant to the entity's industry. **Fraud.** An intentional act that results in a misstatement in financial statements. **Generally accepted accounting principles (GAAP).** References to GAAP in SSARSs means generally accepted accounting principles promulgated by bodies designated by the Council of the AICPA pursuant to the "Compliance	

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With Standards Rule" (ET sec. 1.310.001) and the "Accounting Principles Rule" (ET sec. 1.320.001) of the AICPA Code of Professional Conduct.	
Historical financial information. Information expressed in financial terms regarding a particular entity, derived primarily from that entity's accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.	
Inquiry. ***Inquiry consists of seeking information of knowledgeable persons from within or outside the entity.***	
Limited assurance. ***The level of assurance obtained at which the risk that the accountant expresses an inappropriate conclusion is greater than it is in an audit engagement but is at an acceptably low level in the circumstances of the engagement as the basis for expressing a conclusion about whether the accountant is aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework. While the combination of the nature, timing, and extent of evidence gathering procedures while limited compared to an audit engagement, is at least sufficient for the accountant to obtain a level of assurance that is meaningful to the accountant. (Ref: par. A5)***	*.A5* ***Sufficient appropriate review evidence is required to obtain limited assurance to support the accountant's conclusion. Review evidence is cumulative in nature and is primarily obtained from the procedures performed during the course of the review.***
Management. The person(s) with executive responsibility for the conduct of the entity's operations. For some entities, management includes some or all of those charged with governance, for example, executive members of a governance board or an owner-manager.	
Misstatement. A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Misstatements can arise from fraud or error.	

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Misstatements also include those adjustments of amounts, classifications, presentations, or disclosures that, in the accountant's professional judgment, are necessary for the financial statements to be presented fairly, in all material respects.	
Modified conclusion. ***A qualified conclusion or an adverse conclusion.***	
Noncompliance. Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into, by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. *Noncompliance* does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management, or employees of the entity.	
Other-matter paragraph. A paragraph included in the accountant's review report that is required by SSARSs, or is included at the accountant's discretion, and that refers to a matter other than those presented or disclosed in the financial statements that, in the accountant's professional judgment, is relevant to users' understanding of the review, the accountant's responsibilities, or the accountant's review report.	
Pervasive. ***A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements or the possible effects on financial statements of misstatements, if any, that are not known to the accountant due to an inability to obtain sufficient appropriate review evidence. Pervasive effects on the financial statements are those that, in the accountant's judgment***	
• ***are not confined to specific elements, accounts or items of the financial statements;***	

Commented [MG4]: Consistent with definition of "modified opinion" from auditor reporting ED – except for exclusion of disclaimer.

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• *if so confined, represent or could represent a substantial portion of the financial statements; or* • *regarding disclosures, are fundamental to users' understanding of the financial statements.* *Professional skepticism.* ***An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of review evidence.*** **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~~***A6***) **Report release date.** The date the accountant grants the entity permission to use the accountant's review report in connection with the financial statements. **Required supplementary information.** Information that a designated accounting standards-setter requires to accompany an entity's basic financial statements. Required supplementary information is not part of the basic financial statements; however, a designated accounting standards-setter considers the information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, authoritative guidelines for the methods of measurement and presentation of the information have been established. **Review documentation.** The record of review procedures performed, relevant review evidence obtained, and conclusions the accountant reached (terms such as *working papers* or *workpapers* are also sometimes used).	.~~**A10**~~ *A6* 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).[fn1] **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.[fn2] **c.** *International Accounting Standards Board*. At least, but not limited to, one year from the end of the reporting period.[fn3] [fn 1] "Pending Content" in FASB Accounting Standards Codification (ASC) 205-40-50-1. [fn2] Paragraph 16 of GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. [fn3] Paragraph 26 of International Accounting Standard 1, *Presentation of Financial Statements*.

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Review evidence. Information used by the accountant to provide a reasonable basis for obtaining limited assurance. ***Review evidence includes both information contained in the accounting records underlying the financial statements and other information, which primarily consists of the results of analytical procedures and inquiries. Sufficiency of review evidence is the measure of the quantity of review evidence. Appropriateness of review evidence is the measure of the quality of review evidence; that is, its relevance and reliability in providing support for the conclusions on which the accountant's review report is based.***	
Specified parties. The intended users of the accountant's review report.	
Subsequent events. Events occurring between the date of the financial statements and the date of the accountant's review report.	
Subsequently discovered facts. Facts that become known to the accountant after the date of the accountant's review report that, had they been known to the accountant at that date, may have caused the accountant to revise the accountant's review report.	
Supplementary information. Information presented outside the basic financial statements, excluding required supplementary information, that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework. Such information may be presented in a document containing the reviewed financial statements or separate from the reviewed financial statements. (Ref: par. ~~A11~~*A7*–~~A12~~*A8*)	

Deleted: *Special purpose framework.* ***A financial reporting framework other than GAAP that is one of the following bases of accounting:*** ¶
a. *Cash basis.* ***A basis of accounting that the entity uses to record cash receipts and disbursements and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets).*** ¶
b. *Tax basis.* ***A basis of accounting that the entity uses to file its tax return for the period covered by the financial statements.*** ¶
c. *Regulatory basis.* ***A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance commission). (Ref: par. .A13)***

Deleted: d. *Contractual basis.* **A basis of accounting that the entity uses to comply with an agreement between the entity and one or more third parties other than the accountant.**¶
e. *Other-basis.* ***A basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements.***¶
The cash-basis, tax-basis, regulatory-basis, and other-basis of accounting are commonly referred to as **other comprehensive bases of accounting.**

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Those charged with governance. The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager). **Updated report.** A report issued by a continuing accountant that takes into consideration information that the accountant becomes aware of during the accountant's current engagement and that re-expresses the accountant's previous conclusions or, depending on the circumstances, expresses different conclusions on the financial statements of a prior period reviewed by the accountant as of the date of the accountant's current report. **Written representation.** A written statement by management provided to the accountant to confirm certain matters or to support other review evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records.	**.~~A12~~** *A7* Supplementary information includes additional details or explanations of items in or related to the basic financial statements, consolidating information, historical summaries of items extracted from the basic financial statements, statistical data, and other material, some of which may be from sources outside the accounting system or outside the entity. **.~~A13~~** *A8* Supplementary information may be prepared in accordance with an applicable financial reporting framework, by regulatory or contractual requirements, in accordance with management's criteria, or in accordance with other requirements.
Requirements	
General Principles for Performing and Reporting on Review Engagements	
.~~06~~ *10* In addition to complying with this section, an accountant is required to comply with section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*.	
Independence	**Independence (Ref: par. .~~07~~*11*)**

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.~~07~~ *11* The accountant must be independent of the entity when performing a review of financial statements in accordance with SSARSs. If, during the performance of the review engagement, the accountant determines that the accountant's independence is impaired, the accountant should withdraw from the review engagement. (Ref: par. .~~A13~~***A9*** – .~~A14~~***A10***)	.~~**A14**~~ *A9* The AICPA Code of Professional Conduct provides guidance with respect to independence. .~~**A15**~~ *A10* Nothing prohibits an accountant who is unable to complete a review engagement due to a determination that the accountant's independence is impaired from performing a compilation engagement on those financial statements.
Professional Skepticism	*Professional Skepticism* ***(Ref: par. 12)***
.12 ***The accountant should plan and perform the review with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated. (Ref: par. .A11 - .A15)***	*.A11* ***Professional skepticism includes being alert to the following, for example,*** ***• Review evidence that is inconsistent with or directly contradicts other review evidence obtained.*** ***• Information that brings into question the reliability responses to inquiries and other information or records to be used as review evidence.*** ***• Circumstances that suggest the need for review procedures in addition to those required by this section.*** *.A12* ***Maintaining professional skepticism throughout the review is necessary if the accountant is, for example, to reduce the risks of*** ***• overlooking unusual circumstances.*** ***• over-generalizing when drawing conclusions from review observations.***

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	• using inappropriate assumptions in determining the nature, timing, and extent of the review procedures and evaluating the results thereof.
	.A13 Professional skepticism is necessary to the critical assessment of review evidence. This includes questioning contradictory review evidence and the reliability of responses to inquiries and other information obtained from management and those charged with governance. It also includes consideration of the sufficiency and appropriateness of review evidence obtained in light of the circumstances.
	.A14 The accountant may accept records and documents as genuine unless the accountant has reason to believe the contrary.
	.A15 The accountant neither assumes that management is dishonest nor assumes unquestioned honesty. The accountant cannot be expected to disregard past experience of the honesty and integrity of the entity's management and those charged with governance. Nevertheless, a belief that management and those charged with governance are honest and have integrity does not relieve the accountant of the need to maintain professional skepticism or allow the accountant to be satisfied with less than persuasive review evidence when obtaining limited assurance.
Acceptance and Continuance of Client Relationships and Review Engagements	**Acceptance and Continuance of Client Relationships and Review Engagements (Ref: par. .~~09~~*14*)**
.~~08~~ *13* The accountant should not accept a review engagement if, in addition to the requirements in paragraph .25 of section 60, management or those charged with governance impose a limitation on the scope of the accountant's work in terms of a proposed review engagement such that the accountant believes the limitation will result in the accountant being unable to perform review procedures to provide an adequate basis for issuing a review report.	

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.~~09~~ *14* As a condition for accepting an engagement to review an entity's financial statements, in addition to the requirements in paragraph .26 of section 60, the accountant should obtain the agreement of management that it acknowledges and understands its responsibility	
a. for the preparation *(*and*, in the case of a fair presentation framework, the* fair presentation of*)* the financial statements in accordance with the applicable financial reporting framework and the inclusion of all informative disclosures that are appropriate for the applicable financial reporting framework used to prepare the entity's financial statements. If the financial statements are prepared in accordance with a special purpose framework, this includes (Ref: par. .A16)	**.A16** A review in accordance with SSARSs is conducted on the premise that management has acknowledged and understands that it has the responsibility set out in paragraph .26*c* of section 60. The preparation of financial statements, in whole or in part, is a nonattest service subject to the provisions of the "Nonattest Services" subtopic of the "Independence Rule" (ET sec. 1.295) of the AICPA Code of Professional Conduct. To avoid misunderstanding, agreement is reached with management that it acknowledges and understands that it has such responsibilities as part of agreeing and documenting the terms of the review engagement as required by paragraphs .~~11~~*17*–.~~12~~*18*.
i. a description of the special purpose framework, including a summary of significant accounting policies, and how the framework differs from GAAP, the effect of which need not be quantified, and informative disclosures similar to those required by GAAP in the case of special purpose financial statements *prepared in accordance with a fair presentation framework* that contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP, (Ref: par. .~~A82~~*A114*)	
ii. a description of any significant interpretations of the contract on which the special purpose financial statements are *based,* in the case of financial statements prepared in accordance with a contractual-basis of accounting, and	
iii. *for a fair presentation financial reporting framework,* additional disclosures beyond those specifically required by the framework that may be necessary for the special purpose framework to achieve fair presentation.	
b. to provide the accountant, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.	**.A17** Documents containing financial statements that may include an indication that such financial statements have been reviewed by the

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c. to include the accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by the entity's accountant unless a different understanding is reached. (Ref: par. .A17)	entity's accountant includes documents submitted to bonding companies.
.~~10~~ *15* If the accountant is not satisfied about any of the matters set out in paragraph .26 of section 60 or paragraph .~~09~~ ***14*** of this section as preconditions for accepting a review engagement, the accountant should discuss the matter with management or those charged with governance. If changes cannot be made to satisfy the accountant about those matters, the accountant should not accept the proposed engagement.	
.16 ***If it is discovered after the engagement has been accepted that the accountant is not satisfied as to any of the preconditions in paragraph .26 of AR-C section 60 or paragraph .14 of this section, the accountant should discuss the matter with management or those charged with governance, and should determine:*** ***(a) Whether the matter can be resolved;*** ***(b) Whether it is appropriate to continue with the engagement; and*** ***(c) Whether and, if so, how to communicate the matter in the accountant's report.***	
Agreement on Engagement Terms	**Agreement on Engagement Terms (Ref: par. .~~11~~*17*–.~~12~~*18* and .~~92~~*122*)**
.~~11~~ 17 The accountant should agree upon the terms of the engagement with management or those charged with governance, as appropriate***, prior to performing the engagement***. The agreed-upon terms of the engagement should be documented in an engagement letter or other suitable form of written agreement between the parties and should include the following: (Ref: par. .A18–.A23)	**.A18** Both management and the accountant have an interest in documenting the agreed-upon terms of the review engagement before the commencement of the review engagement to help avoid misunderstandings with respect to the review engagement. For example, it reduces the risk that management may inappropriately rely on or expect the accountant to protect management against

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a. The objectives of the engagement *b.* The responsibilities of management set forth in paragraph .26*c* of section 60 and paragraph .~~09~~ ***14*** of this section *c.* The responsibilities of the accountant *d.* The limitations of a review engagement ***including a statement that a review is not an audit and that the accountant will not express an opinion on the financial statements*** *e.* Identification of the applicable financial reporting framework for the preparation of the financial statements *f.* The expected form and content of the accountant's review report and a statement that there may be circumstances in which the report may differ from its expected form and content	certain risks or perform certain functions, including those that are management's responsibility **.A19** The roles of management and those charged with governance in agreeing upon the terms of the review engagement for the entity depend on the governance structure of the entity and relevant law or regulation. Depending on the entity's structure, the agreement may be with management, those charged with governance, or both. When the agreement on the terms of engagement is only with those charged with governance, nonetheless, in accordance with paragraph .26*c* of section 60, the accountant is required to obtain management's agreement that it acknowledges and understands its responsibilities. **.A20** When a third party has contracted for a review of the entity's financial statements, agreeing the terms of the review with management of the entity is necessary in order to establish that the preconditions for a review are present. **.A21** The understanding with management regarding the services to be performed for review engagements is required by paragraph .~~11~~ ***17*** to be in a documented form, and, accordingly, an oral understanding is insufficient. An engagement letter is the most common and usually the most convenient method for documenting the understanding with management regarding the services to be performed for review engagements. **.A22** Although the accountant may prepare the financial statements, in whole or in part, the financial statements are representations of management, and the fairness of their presentation in accordance with the applicable financial reporting framework is management's responsibility.

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	.A23 Illustrations of engagement letters for a review of financial statements are presented in exhibit A, "Illustrative Engagement Letters."
.~~12~~ *18* The engagement letter or other suitable form of written agreement should be signed by *a.* the accountant or the accountant's firm and *b.* management or those charged with governance, as appropriate. (Ref: par. .A19)	
Communication With Management and Those Charged With Governance	**Communication With Management and Those Charged With Governance (Ref: par. .~~13~~*19*)**
.~~13~~ *19* The accountant should communicate with management or those charged with governance, as appropriate, on a timely basis during the course of the review engagement, all matters concerning the review engagement that, in the accountant's professional judgment, are of significant importance to merit the attention of management or those charged with governance, as appropriate. (Ref: par. .A24–.A30)	**.A24** In a review engagement, the accountant's communications with management and those charged with governance take the form of *a.* inquiries the accountant makes in the course of performing the procedures for the review and *b.* other communications, in the context of having effective two-way communication to understand matters arising and to develop a constructive working relationship for the engagement. **.A25** The appropriate timing for communications will vary with the circumstances of the engagement. Relevant factors include the significance and nature of the matter and any action expected to be taken by management or those changed with governance. For example, it may be appropriate to communicate a significant difficulty encountered during the review as soon as practicable if management or those charged with governance are able to assist the accountant to overcome the difficulty.

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	.A26 Law or regulation may restrict the accountant's communication of certain matters with those charged with governance. For example, law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the accountant's obligations of confidentiality and obligations to communicate may be complex. In such cases, the accountant may consider obtaining legal advice.
	
	Communicating Matters Concerning the Review
	
	.A27 Matters to be communicated to management or those charged with governance, as appropriate, in accordance with this section may include the following:
	
	• The accountant's responsibilities in the review engagement, as included in the engagement letter or other suitable form of written agreement.
	• Significant findings from the review, for example
	
	  o the accountant's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.
	  o significant findings from the performance of procedures, including situations when the accountant considered performance of additional procedures necessary in accordance with this section. The accountant may need to confirm that those charged with governance have the same understanding of the facts and circumstances relevant to specific transactions or events.

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	○ Matters arising that may lead to modification of the accountant's review report. ○ Significant difficulties, if any, encountered during the review, for example, unavailability of expected information, unexpected inability to obtain ***review*** evidence that the accountant considers necessary for the review, or restrictions imposed on the accountant by management. In some circumstances, such difficulties may lead to the accountant's withdrawal from the engagement. .**A28** In some entities, different persons are responsible for the management and governance of an entity. In these circumstances, management may have the responsibility to communicate matters of governance interest to those charged with governance. Communication by management with those charged with governance of matters that the accountant is required to communicate does not relieve the accountant of the responsibility to also communicate with those charged with governance. However, communication of these matters by management may affect the form or timing of the accountant's communication with those charged with governance. **Communication With Third Parties** **.A29** The accountant may be required by law or regulation to, for example • notify a regulatory or enforcement body of certain matters communicated with those charged with governance.

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	• submit copies of certain reports prepared for those charged with governance to relevant regulatory or funding bodies or, in some cases, make such reports publicly available. **.A30** Unless required by law or regulation to provide a third party with a copy of the accountant's written communications with those charged with governance, the accountant may need the prior consent of management or those charged with governance before doing so.
Performing the Engagement	*Performing the Engagement*
Materiality in a Review of Financial Statements	*Materiality in a Review of Financial Statements (Ref: par. .20)*
.20 The accountant should determine materiality for the financial statements as a whole, and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures. (Ref: par. .A31-.A34)	***.A31 The accountant's consideration of materiality is made in the context of the applicable financial reporting framework. Some financial reporting frameworks discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that*** • ***misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;*** • ***judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement or a combination of both; and*** • ***judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.*** ***.A32 If present in the applicable financial reporting framework, a discussion of the concept of materiality provides a frame of***

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	reference to the accountant in considering whether the financial statements may require material modification. If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph .A31 provide the accountant with such a frame of reference.
	.A33 The accountant's determination of materiality is a matter of professional judgment and is affected by the accountant's perception of the needs of the intended users of the financial statements. In this context, it is reasonable for the accountant to assume that users • ***have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;*** • ***understand that financial statements are prepared, presented, and reviewed to levels of materiality;*** • ***recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and*** • ***make reasonable economic decisions on the basis of the information in the financial statements.***
	.A34 The accountant's judgment about what is material in relation to the financial statements as a whole is the same regardless of the level of assurance obtained by the accountant as a basis for expressing a conclusion on the financial statements.
.21 The accountant should revise materiality for the financial statements as a whole in the event of becoming aware of information during the review that would have caused the accountant to have determined a different amount initially. (Ref: par. A35)	***.A35 The accountant's determination of materiality for the financial statements as a whole may need to be revised during the engagement as a result of***

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	• ***a change in the circumstances that occurred during the review (for example, a decision to dispose of a major part of the entity's business).*** • ***new information, or a change in the accountant's understanding of the entity and its environment as a result of performing review procedures (for example, if during the review it appears actual financial results are likely to be substantially different from anticipated period-end financial results that were used initially to consider materiality for the financial statements as a whole).***
Understanding of the Industry	**Understanding of the Industry (Ref: par. .~~14~~*22*)**
.~~14~~ *22* To perform the review engagement, the accountant should possess or obtain an understanding of the industry in which the entity operates, including the accounting principles and practices generally used in the industry, sufficient to enable the accountant to review financial statements that are appropriate for an entity operating in that industry. (Ref: par. .~~A31~~*A36*)	**.~~A31~~** *A36* The requirement that the accountant possess a level of knowledge of the industry in which the entity operates does not prevent the accountant from accepting a review engagement for an entity in an industry with which the accountant has no previous experience. It does, however, place upon the accountant a responsibility to obtain the required level of knowledge. The accountant may do so, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals knowledgeable about the industry.
Knowledge of the Entity	**Knowledge of the Entity (Ref: par. .~~15~~*23*)**
.~~15~~ *23* The accountant should obtain knowledge about the entity, including an understanding of *a.* the entity's business and *b.* the accounting principles and practices used by the entity	**.~~A32~~** *A37* The accountant may obtain knowledge of the entity through inquiry of the entity's personnel, the review of documents prepared by the entity, or experience with the entity or the entity's industry. Such knowledge includes the following: • An understanding of the entity's business

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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. (Ref: par. .~~A32~~***A37*** – .~~A33~~***A38***)	• An understanding of the accounting principles and practices used by the entity in measuring, recognizing, recording, and disclosing all significant accounts and disclosures in the financial statements **.~~A33~~** *A38* The accountant's understanding of the entity's business encompasses a general understanding of the entity's organization; its operating characteristics; and the nature of its assets, liabilities, revenues, and expenses.
.~~16~~ *24* In obtaining the understanding of the entity's accounting policies and practices, the accountant should be alert to accounting policies and procedures that, based on the accountant's knowledge of the industry, are unusual.	
Designing and Performing Review Procedures	**Designing and Performing Review Procedures (Ref: par. .~~17~~*25*)**
.~~17~~ *25* The accountant should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to obtain ***sufficient appropriate review evidence*** ~~limited assurance~~ as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the applicable financial reporting framework based on the accountant's (Ref: par. .~~A34~~***A39***) *a.* understanding of the industry, *b.* knowledge of the entity, and *c.* awareness of the risk that the accountant may unknowingly ***issue an inappropriate*** ~~fail to modify the~~ accountant's review report ~~on financial statements that are materially misstated~~. (Ref: par. .~~A35~~***A40***)	**.~~A34~~** *A39* Review evidence obtained through the performance of analytical procedures and inquiry will ordinarily provide the accountant with a reasonable basis for obtaining limited assurance. However, in addition to analytical procedures and inquiries, in certain circumstances and based on the accountant's professional judgment, the accountant may perform procedures ordinarily performed in an audit. In such instances, the engagement remains a review, and the accountant is not required to perform an audit of the financial statements. **.~~A35~~** *A40* The results of the accountant's analytical procedures and inquiries may modify the accountant's risk awareness. For example, the response to an inquiry that a related party transaction is not disclosed may revise the accountant's awareness of risk relative to related party transactions.
.~~18~~ ***26 In obtaining sufficient appropriate review evidence as the basis for a conclusion on the financial statements as a whole,*** ~~T~~the accountant should ~~focus~~ ***design and perform*** the analytical procedures and inquiries ***to address:***	

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(a) All material items in the financial statements, including disclosures; and ***(b)*** ~~in those a~~***A***reas ***in the financial statements*** where the accountant believes there are increased risks of material misstatements.	
Analytical Procedures	**Analytical Procedures (Ref: par. .~~19~~*27*–.~~20~~*28*)**
.~~19~~ *27* The accountant should apply analytical procedures to the financial statements to identify and provide a basis for inquiry about the relationships and individual items that appear to be unusual and that may indicate a material misstatement. Such analytical procedures should include the following: (Ref: par. .~~A36~~***A41***–.~~A38~~***A43***) *a.* Comparing the financial statements with comparable information for the prior period, giving consideration to knowledge about changes in the entity's business and specific transactions	.~~A36~~ *A41* Examples of analytical procedures that an accountant may consider performing when conducting a review of financial statements are contained in appendix A, "Analytical Procedures the Accountant May Consider Performing When Conducting a Review of Financial Statements." .~~A37~~ *A42* Analytical procedures include the consideration of comparisons of the entity's financial information with, for example: • Comparable information for prior periods • Anticipated results of the entity, such as budgets or forecasts, or expectations of the accountant, such as an estimation of depreciation • Similar industry information, such as a comparison of the entity's ratio of sales to accounts receivable and gross margin percentages with industry averages or other entities of comparable size in the same industry .~~A38~~ *A43* Analytical procedures also include consideration of relationships, for example: • Among elements of financial information, such as gross margin percentages, that would be expected to conform to a predictable pattern based on recent history of the entity and industry

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	• Between financial information and relevant nonfinancial information, such as payroll costs to number of employees
b. Considering plausible relationships among both financial and, when relevant, nonfinancial information (Ref: par. .~~A39~~*A44*)	.~~**A39**~~ *A44* When considering plausible relationships, the accountant may wish to consider information developed and used by the entity (for example, analyses prepared for management or those charged with governance).
c. Comparing recorded amounts or ratios developed from recorded amounts to expectations developed by the accountant through identifying and using relationships that are reasonably expected to exist, based on the accountant's understanding of the entity and the industry in which the entity operates (Ref: par. .~~A40~~*A45*)	.~~**A40**~~ *A45* Expectations developed by the accountant in performing analytical procedures in connection with a review of financial statements may be less precise than those developed in an audit. Also, in a review, the accountant is not required to corroborate management's responses with other evidence.
d. Comparing disaggregated revenue data, as applicable (Ref: par. .~~A41~~*A46*)	.~~**A41**~~ *A46* To compare disaggregated revenue data, the accountant may compare, for example, revenue reported by month and product line or operating segment during the current period with that of comparable prior periods.
.~~**20**~~ *28* When designing and performing analytical procedures, the accountant should (Ref: par. .~~A42~~*A47*) *a.* determine the suitability of particular analytical procedures; *b.* consider the reliability of data from which the accountant's expectation of recorded amounts or ratios is developed, taking into account the source, comparability, and nature and relevance of information available; *c.* develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to provide the accountant with limited assurance that a misstatement will be identified that, either	.~~**A42**~~ *A47* Various methods may be used to perform analytical procedures. These methods range from performing simple comparisons to performing complex analyses. Analytical procedures may be performed at the financial statement level or at the detailed account level. The nature, timing, and extent of analytical procedures are a matter of professional judgment.

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individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated; and *d.* determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation as required by paragraph .~~21~~ ***28*** and compare the recorded amounts, or ratios developed from recorded amounts, with the expectations.	
Investigating Results of Analytical Procedures	**Investigating Results of Analytical Procedures (Ref: par. .~~21b~~*29b*)**
.~~21~~ *29* If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the accountant should investigate such differences by *a.* inquiring of management and *b.* performing other review procedures if considered necessary in the circumstances. (Ref: par. .~~A42~~***A48***)	**.~~A43~~** *A48* Although the accountant is not required to corroborate management's responses with other ***review*** evidence, the need to perform other review procedures may arise when, for example, management is unable to provide an explanation, or the explanation is not considered adequate.
Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters	**Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters (Ref: par. .~~22~~*30*)**
.~~22~~ *30* The accountant should inquire of members of management who have responsibility for financial and accounting matters concerning the financial statements***, and others within the entity, as appropriate*** about (Ref: par. .~~A44~~***A49***) *a.* whether the financial statements have been prepared and fairly presented in accordance with the applicable financial reporting framework consistently applied***, including how management***	**.~~A44~~** *A49* In addition to members of management who have responsibility for financial and accounting matters, the accountant may determine to direct inquiries to others within the entity and those charged with governance, if appropriate.

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determined that significant accounting estimates are reasonable in the circumstances.	
b. ***the identification of related parties and related party transactions, including the purpose of those transactions.***	**.A45** ~~.~~*A50* Examples of unusual or complex situations about which the accountant may inquire of management are contained in appendix B, "Unusual or Complex Situations to Be Considered by the Accountant When Performing Inquiry Procedures in a Review of Financial Statements."
~~*b*~~**c**. ***whether there are significant,*** unusual or complex ~~situations~~ ***transactions, events or matters*** that may have ***affected or may affect*** ~~an effect on~~ the ***entity's*** financial statements***, including:***. (Ref: par. ~~.A45~~***A50***)	
(i) Significant changes in the entity's business activities or operations;	
(ii) Significant changes to the terms of contracts that materially affect the entity's financial statements, including terms of finance and debt contracts or covenants;	
(iii) Significant journal entries or other adjustments to the financial statements;	
(iv) Significant transactions occurring or recognized during the period, particularly those in the last several days of the reporting period;	
(v) The status of any 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).; and	
(vi) Effects or possible implications for the entity of transactions or relationships with related parties;	

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~~c. significant transactions occurring or recognized during the period, particularly those in the last several days of the period.~~	
~~d. 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).~~	
~~e~~**d**. matters about which questions have arisen in the course of applying the review procedures.	
e. ***The existence of any actual, suspected or alleged:***	~~**A46**~~ *A51* Management may obtain knowledge of fraud or suspected fraud affecting the entity involving management or others when the fraud could have a material effect on the financial statements through, among other things, communications received from employees, former employees, or others.
(i) Fraud or noncompliance with laws and regulations affecting the entity; and (Ref: par. A51)	
(ii) Non-compliance with provisions of laws and regulations that are generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws and regulations;	
f. ***whether management has identified and addressed*** events subsequent to the date of the financial statements that ***require adjustment of, or disclosure in, the*** ~~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~~	

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~~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. .A46)~~ ~~*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.~~ **g.** ***The basis for management's assessment of the entity's ability to continue as a going concern;*** **h.** ***Whether there are events or conditions that appear to cast doubt on the entity's ability to continue as a going concern;*** **i.** ***Material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements, including disclosures;*** **j.** ***Material non-monetary transactions or transactions for no consideration in the financial reporting period under consideration.*** *j.* significant journal entries and other adjustments.	

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k. communications from regulatory agencies, if applicable. ~~*l.* related parties and significant new related party transactions.~~ ~~*m*~~**l**. 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. ~~*n.* whether management believes that significant assumptions used by it in making accounting estimates are reasonable.~~ ~~*o*~~**m**. 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. .~~*A47*~~*A52*) ~~*p*~~**n**. any other matters that the accountant may consider necessary.	.~~**A47**~~ *A52* The accountant may obtain and read minutes from meetings of stockholders, the board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements as an effective and efficient procedure to meet the requirement in paragraph .~~*22o*~~ ***30l*** to inquire of members of management who have responsibility for financial and accounting matters concerning the financial statements about actions taken at such meetings.
.~~**23**~~ *31* The accountant should consider the reasonableness and consistency of management's responses in light of the results of other review procedures and the accountant's knowledge of the entity's business. However, the accountant is not required to corroborate management's responses with other ***review*** evidence.	
Reading the Financial Statements	
.~~**24**~~ *32* The accountant should read the financial statements and consider whether any information has come to the accountant's attention to indicate that such financial statements do not conform to the applicable financial reporting framework.	
Procedures to Address Specific Circumstances	*Procedures to Address Specific Circumstances*
Related Parties	
.33 ***During the review, the accountant should remain alert for arrangements or information that may indicate the existence of related party relationships***	

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or transactions that management has not previously identified or disclosed to the accountant.	
.34 ***If the accountant identifies significant transactions outside the entity's normal course of business in the course of performing the review, the accountant should inquire of management about:*** ***(a) The nature of those transactions*** ***(b) Whether related parties could be involved***	
Fraud and Non-Compliance With Laws or Regulations	*Fraud and Non-Compliance With Laws or Regulations (Ref: par. .35)*
.35 ***When there is an indication that fraud or noncompliance with laws or regulations has occurred or is suspected to have occurred whose effects should be considered when preparing financial statements, the accountant should:*** ***(a) Communicate identified or suspected fraud as soon as practical to the appropriate level of senior management (at a level above those involved with the suspected fraud, if possible) or those charged with governance as appropriate; (Ref: par. A53)*** ***(b) Communicate identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements to management, other than matters that are clearly inconsequential; (Ref: par. A54)*** ***(c) Request management's assessment of the effect(s), if any, on the financial statements;*** ***(d) Consider the effect, if any, of management's assessment of the effects of fraud or noncompliance with laws or regulations communicated to***	~~.A91~~ *A53* The communication of matters involving identified or suspected noncompliance may describe the act of identified or suspected noncompliance, the circumstances of its occurrence, and the effect on the financial statements. The accountant may reach agreement in advance with management and those charged with governance, if applicable, on the nature and amount of matters that would be considered not material and, thus, need not be communicated. ~~.A92~~ *A54* The disclosure of any evidence or information that comes to the accountant's attention during the performance of review procedures that fraud or noncompliance with laws or regulations may have occurred to parties other than the entity's senior management (or those charged with governance, if applicable) ordinarily is not part of the accountant's responsibility and, ordinarily, would be precluded by the accountant's ethical or legal obligations of confidentiality. ~~.A93~~ *A55* A duty to disclose to parties outside of the entity may exist in the following circumstances: • To comply with certain legal and regulatory requirements

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the accountant on the accountant's conclusion on the financial statements and on the accountant's report; and ***(e) Determine whether there is a responsibility to report the occurrence or suspicion of fraud or noncompliance with laws and regulations to a party outside the entity. (Ref: par. A54 – A55)***	• To a successor accountant when management has given permission for communication between the predecessor accountant and the successor accountant • In response to a subpoena
.36 ***If the fraud or noncompliance with laws or regulations involves senior management or results in a material misstatement of the financial statements, the accountant should communicate the matter directly to those charged with governance.***	
.37 ***If management or, as appropriate, those charged with governance do not provide sufficient information that supports that*** ***a. the financial statements are not materially misstated due to fraud or*** ***b. the entity is in compliance with laws and regulations, and in the accountant's professional judgment, the effect of the suspected noncompliance may be material to the financial statements*** ***the accountant should consider the need to obtain legal advice and take appropriate action, including potential withdrawal. (Ref: par. .A56)***	~~.A94~~ A56 The accountant may consider whether withdrawal from the engagement is necessary when • management or those charged with governance do not take the remedial action that the accountant considers necessary in the circumstances or • matters regarding fraud or noncompliance with laws or regulations involve an owner of the business. When deciding whether withdrawal from the engagement is necessary, the accountant may consider seeking legal advice.
Going concern	*Going concern (Ref: par. .38-.39)*
.38 ***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. .A57–.A58)*** ***(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,***	~~.A116~~ A57 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. ~~.A117~~ A58 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

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(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.***	statements. For example, FASB Accounting Standards Codification® (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).
.39 ***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 should (Ref: par. A59 - .A60)***	.~~A118~~ A59 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 inquiries of management or in the course of performing other review procedures. The significance of such conditions and events will depend on the circumstances, and some may have significance only when viewed in conjunction with others.
a. Inquire of management whether the going concern basis of accounting is appropriate,	.~~A119~~ A60 The following are examples of conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time: • Negative trends. For example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, and other 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, a need to restructure debt to avoid default,

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	noncompliance with statutory capital requirements, and a need to seek new sources or methods of financing or to dispose of substantial assets • Internal matters. 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 • External matters. 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, earthquake, or flood
b. Inquire of management about its plans for addressing the adverse effects of the conditions and events, and (Ref: par. .A61)	.~~A120~~ A61 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 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

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	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

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	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.
c. Consider the adequacy of the disclosure about such matters in the financial statements. (Ref: par. .A62–.A63)	.~~A121~~ A62 In considering the adequacy of disclosure, some of the information that may be disclosed, depending on the requirements of the financial reporting framework, includes the following: • Principal conditions and events that raise substantial doubt 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 • Management's evaluation of the significance of those conditions and events in relation to the entity's ability to meet its obligations and any mitigating factors • Possible discontinuance of operations • Management's plans (including relevant prospective financial information) that are intended to mitigate the conditions or events that raise substantial doubt about the

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	entity's ability to continue as a going concern for a reasonable period of time • Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities .~~A122~~*A63* 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 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, and has stated that substantial doubt exists about the Company's 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.
Using the Work of Others ~~**Accountants**~~	
.40 ***In performing the review, it may be necessary for the accountant to use work performed by other accountants, or the work of an individual or***	

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organization possessing expertise in a field other than financial reporting. If the accountant uses work performed by another accountant or an expert in the course of performing the review, the accountant should take appropriate steps to be satisfied that the work performed is adequate for the accountant's purposes.	
.~~25~~ *41* If other accountants have issued a report on the financial statements of significant components, such as subsidiaries and investees, the accountant should obtain and read reports from such other accountants.	
Reconciling the Financial Statements to the Underlying Accounting Records	**Reconciling the Financial Statements to the Underlying Accounting Records (Ref: par. .~~26~~*42*)**
.~~26~~ *42* The accountant should obtain evidence that the financial statements agree or reconcile with the accounting records. (Ref: par. .~~A48~~*A64*)	.~~A48~~ *A64* To obtain evidence that the financial statements agree or reconcile with the accounting records, the accountant may compare the financial statements to • the accounting records, such as the general ledger; • a consolidating schedule derived from the accounting records; or • other supporting data in the entity's records.
Additional Procedures When the Accountant Becomes Aware that the Financial Statements May Be Materially Misstated	*Additional Procedures When the Accountant Becomes Aware that the Financial Statements May Be Materially Misstated (Ref: par. 43)*
.43 ***If the accountant becomes aware of a matter(s) that causes the accountant to believe the financial statements may be materially misstated, the accountant should design and perform additional procedures sufficient to enable the accountant to: (Ref: par. A65-A69)*** ***(a) Conclude that the matter(s) is not likely to cause the financial statements as a whole to be materially misstated; or*** ***(b) Determine that the matter(s) causes the financial statements as a whole to be materially misstated.***	*A65* ***Additional procedures are required in accordance with this section if the accountant becomes aware of a matter that causes the accountant to believe the financial statements may be materially misstated.*** *A66* ***The accountant's response in undertaking additional procedures with respect to an item the accountant has cause to believe may be materially misstated in the financial statements will vary, depending on the circumstances, and is a matter for the accountant's professional judgment.***

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	A67 The accountant's judgment about the nature, timing and extent of additional procedures that are needed to obtain review evidence to either conclude that a material misstatement is not likely, or determine that a material misstatement exists, is guided by: • ***Information obtained from the accountant's evaluation of the results of the procedures already performed;*** • ***The accountant's updated understanding of the entity and its environment obtained throughout the course of the engagement; and*** • ***The accountant's view on the persuasiveness of review evidence needed to address the matter that causes the accountant to believe that the financial statements may be materially misstated.***
	A68 Additional procedures focus on obtaining sufficient appropriate review evidence to enable the accountant to form a conclusion on matters that the accountant believes may cause the financial statements to be materially misstated. The procedures may be: • ***Additional inquiry or analytical procedures, for example, being performed in greater detail or being focused on the affected items (i.e. amounts or disclosures concerning the affected accounts or transactions as reflected in the financial statements); or***

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	• ***Other types of procedures, for example, substantive test of details or external confirmations.***
	.A69 ***The following example illustrates the accountant's evaluation of the need to perform additional procedures, and the accountant's response when the accountant believes additional procedures are necessary.***
	• ***In the course of performing the inquiry and analytical procedures for the review, the accountant's analysis of accounts receivable shows a material amount of past due accounts receivable, for which there is no allowance for bad or doubtful debts.***
	• ***This causes the accountant to believe that the accounts receivable balance in the financial statements may be materially misstated. The accountant then inquires of management whether there are uncollectible accounts receivable that would need to be shown as being impaired.***
	• ***Depending on management's response, the accountant's evaluation of the response may:***
	(a) Enable the accountant to conclude that the accounts receivable balance is not likely to be materially misstated. In that case, no further procedures are required.

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	(b) Enable the accountant to determine that the matter causes the financial statements to be materially misstated. No further procedures are required, and the accountant would form the conclusion that the financial statements as a whole are materially misstated. ***(c) Lead the accountant to continue to believe that the accounts receivable balance is likely to be materially misstated, while not providing sufficient appropriate review evidence for the accountant to determine that they are in fact misstated. In that case, the accountant is required to perform additional procedures, for example, requesting from management an analysis of amounts received for those accounts after the balance sheet date to identify uncollectible accounts receivable. The evaluation of the results of the additional procedures may enable the accountant to get to (a) or (b) above. If not, the accountant is required to:*** ***(i) Continue performing additional procedures until the accountant reaches either (a) or (b) above; or*** ***(ii) If the accountant is not able to either conclude that the matter is not likely to cause the financial statements as a whole to be materially misstated, or to determine that the matter does cause the financial statements as a whole to be materially misstated, then, in accordance with paragraph 46, the accountant is required to withdraw from the engagement.***

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Evaluating *Review* **Evidence Obtained From the Procedures Performed**	**Evaluating** *Review* **Evidence Obtained From the Procedures Performed (Ref: par. .~~28, .31, and .39f~~***45***)**
~~**.27** The accountant should accumulate uncorrected misstatements, including inadequate disclosure, identified by the accountant in performing the review procedures or brought to the accountant's attention during the performance of the review.~~	
~~**.28** The accountant should evaluate whether the uncorrected misstatements accumulated in accordance with paragraph .27 are, individually and in the aggregate, material to the financial statements in order to determine whether any modifications should be made to the financial statements for them to be in accordance with the applicable financial reporting framework. (Ref: par. .A6 and .A49–.A50)~~	~~**.A49** Considerations that may affect the evaluation of whether uncorrected misstatements, individually or in the aggregate, are material include the following:~~ ~~• The nature, cause (if known), and amount of the misstatements~~ ~~• Whether the misstatements originated in the preceding year~~ ~~• The potential effect of the misstatements on future periods~~ ~~• The appropriateness of offsetting a misstatement of an estimated amount with a misstatement of an item capable of precise measurement~~ ~~• Recognition that an accumulation of immaterial misstatements in the balance sheet could contribute to material misstatements in future periods~~ ~~**.A50** The accountant's reporting responsibilities when the accountant concludes that the financial statements are materially misstated are addressed in paragraphs .56–.60 with respect to known departures from the applicable financial reporting framework.~~
.~~29~~ *44* If, during the performance of review procedures, the accountant becomes aware that information coming to the accountant's attention is incorrect, incomplete, or otherwise unsatisfactory, the accountant should	

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a. request that management consider the effect of those matters on the financial statements and communicate the results of its consideration to the accountant and *b.* consider the results communicated to the accountant by management and whether such results indicate that the financial statements may be materially misstated.	
~~**.30** If the accountant believes that the financial statements may be materially misstated, the accountant should perform additional procedures deemed necessary to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in accordance with the applicable financial reporting framework.~~	
.31 ~~*45*~~ The accountant should evaluate whether sufficient appropriate review evidence has been obtained from the procedures performed and, if not, the accountant should perform other procedures judged by the accountant to be necessary in the circumstances to be able to form a conclusion on the financial statements. (Ref: par. .~~A51~~***A70***)	**.A51** ~~.~~*A70* In some circumstances, the accountant may not have obtained the ***review*** evidence that the accountant had expected to obtain through the design of primarily inquiry and analytical procedures and procedures addressing specific circumstances. In these circumstances, the accountant considers that the ***review*** evidence obtained from the procedures performed is not sufficient and appropriate to be able to form a conclusion on the financial statements. The accountant may • extend the work performed or • perform other procedures judged by the ~~practitioner~~ ***accountant*** to be necessary in the circumstances. When neither of these is practicable in the circumstances, the accountant will not be able to obtain sufficient appropriate ***review*** evidence to be able to form a conclusion and is required by this section to determine the effect on the accountant's ability to complete the engagement. This situation may arise even though the accountant has not become aware of a matter(s) that causes the accountant to believe the financial statements may be materially misstated.

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.46 ***If the accountant is not able to obtain sufficient appropriate review evidence to form a conclusion, the accountant should withdraw from the engagement.***	
Subsequent Events and Subsequently Discovered Facts	*Subsequent Events and Subsequently Discovered Facts*
Subsequent Events	*Subsequent Events (Ref: par. 47)*
.47 ***When evidence or information that subsequent events that require adjustment of, or disclosure in, the financial statements comes to the accountant's attention, the accountant should request that management consider whether each such event is appropriately reflected in the financial statements in accordance with the applicable financial reporting framework. (Ref: par. .A71)***	***.A71 Evidence or information that subsequent events that require adjustment of, or disclosure in, the financial statements may come to the accountant's attention in the following ways:*** • ***During the performance of review procedures*** • ***Subsequent to the date of the accountant's review report but prior to the release of the report***
.48 ***If the accountant determines that the subsequent event is not adequately accounted for in the financial statements or disclosed in the notes, the accountant should follow the guidance in paragraphs .68–.71.***	
Subsequently Discovered Facts That Become Known to the Accountant Before the Report Release Date	
.49 ***The accountant is not required to perform any review procedures regarding the financial statements after the date of the accountant's review report. However, if a subsequently discovered fact becomes known to the accountant before the report release date, the accountant should*** ***a. discuss the matter with management and, when appropriate, those charged with governance and*** ***b. determine whether the financial statements need revision and, if so, inquire how management intends to address the matter in the financial statements.***	

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.50 ***If management revises the financial statements, the accountant should perform the review procedures necessary in the circumstances on the revision. The accountant also should either*** ***a. date the accountant's review report as of a later date or*** ***b. include an additional date in the accountant's review report on the revised financial statements that is limited to the revision (that is, dual-date the accountant's review report for that revision), thereby indicating that the accountant's review procedures subsequent to the original date of the accountant's review report are limited solely to the revision of the financial statements described in the relevant note to the financial statements.***	
.51 ***If management does not revise the financial statements in circumstances when the accountant believes they need to be revised, the accountant should modify the accountant's review report or withdraw, as appropriate.***	
Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date	*Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date (Ref: par. 52-55)*
.52 ***If a subsequently discovered fact becomes known to the accountant after the report release date, the accountant should (Ref: par. .A72–.A73)*** ***a. discuss the matter with management and, when appropriate, those charged with governance and*** ***b. determine whether the financial statements need revision and, if so, inquire how management intends to address the matter in the financial statements.***	*.A72* ***New information may come to the accountant's attention that, had such information been known to the accountant at the date of the accountant's review report, may have caused the accountant to revise the accountant's review report. When such information becomes known to the accountant after the report release date, the requirements in paragraphs .52–.55 apply, even if the accountant has withdrawn or been discharged.*** *.A73* ***Because of the variety of conditions that might be encountered, the specific procedures or actions to be taken in a particular case may vary somewhat in light of the circumstances. For example, when determining whether the financial statements need revision, as required by paragraph .52b, the accountant may consider, in addition to the requirements of the applicable financial reporting***

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	framework, whether the accountant believes persons are currently using, or are likely to use, the financial statements and who would attach importance to the subsequently discovered facts. Consideration may be given, among other things, to the issuance of reviewed or audited financial statements for a subsequent period, the time elapsed since the financial statements were issued and the date of the accountant's review report released, and any legal implications.
.53 ***If management revises the financial statements, the accountant should*** ***a. apply the requirements of paragraph .50.*** ***b. if the reviewed financial statements (before revision) have been made available to third parties, assess whether the steps taken by management are timely and appropriate to ensure that anyone in receipt of those financial statements is informed of the situation, including that the reviewed financial statements are not to be used. If management does not take the necessary steps, the accountant should apply the requirements of paragraph .54. (Ref: par. .A74)*** ***c. if the accountant's conclusion on the revised financial statements differs from the accountant's conclusion on the original financial statements, disclose in an emphasis-of-matter paragraph, in accordance with paragraphs .89–.90*** ***i. the date of the accountant's previous report,*** ***ii. a description of the revisions, and*** ***iii. the substantive reasons for the revisions.***	***.A74 The steps taken by management to ensure that anyone in receipt of the reviewed financial statements is informed of the situation, including that the reviewed financial statements are not to be used, depend on the circumstances. Management's steps may include the following:*** • ***Notify anyone who is known to be using, or who is likely to use, the financial statements and the accountant's review report that they are not to be used and that revised financial statements, together with a new accountant's review report, will be issued. This may be necessary when the issuance of revised financial statements and a new accountant's review report is not imminent.*** • ***Issue, as soon as practicable, revised financial statements with appropriate disclosure of the matter.*** • ***Issue the subsequent period's financial statements with appropriate disclosure of the matter. This may be appropriate when issuance of the subsequent period's reviewed or audited financial statements is imminent.***

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.54 ***If management does not revise the financial statements in circumstances when the accountant believes they need to be revised, then*** ***a. if the reviewed financial statements have not been made available to third parties, the accountant should notify management and those charged with governance, unless all of those charged with governance are involved in managing the entity, not to make the reviewed financial statements available to third parties before the necessary revisions have been made and a new accountant's review report on the revised financial statements has been provided. If the reviewed financial statements are, nevertheless, subsequently made available to third parties without the necessary revisions, the accountant should apply the requirements of paragraph .54b.*** ***b. if the reviewed financial statements have been made available to third parties, the accountant should assess whether the steps taken by management are timely and appropriate to ensure that anyone in receipt of the reviewed financial statements is informed of the situation, including that the reviewed financial statements are not to be used. If management does not take the necessary steps, the accountant should apply the requirements of paragraph .55. (Ref: par. .A73)***	
.55 ***If management does not take the necessary steps to ensure that anyone in receipt of the financial statements is informed of the situation, as provided by paragraph .53b or paragraph .54b, the accountant should notify management and those charged with governance, unless all of those charged with governance are involved in managing the entity, that the accountant will seek to prevent future use of the accountant's review report. If, despite such notification, management or those charged with governance do not take the necessary steps, the accountant should take appropriate action to seek to prevent use of the accountant's review report. (Ref: par. .A75–.A78)***	*.A75* ***If management made the reviewed financial statements available to third parties despite the accountant's notification not to do so, or if the accountant believes that management or those charged with governance have failed to take the necessary steps to prevent use of the accountant's review report on the previously issued reviewed financial statements despite the accountant's prior notification that the accountant will take action to seek to prevent such use, the accountant's course of action depends upon the accountant's legal and ethical rights and obligations.***

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	Consequently, the accountant may consider it appropriate to seek legal advice. A76 ***The actions that the accountant may take to seek to prevent use of the accountant's review report may depend upon the degree of certainty of the accountant's knowledge that persons or entities exist who are currently using, or who will use, the reviewed financial statements, and who would attach importance to the information, and the accountant's ability as a practical matter to communicate with them. In addition to seeking legal advice, the accountant may consider taking the following steps to the extent applicable:*** • ***Notify management and those charged with governance that the accountant's review report is not to be used.*** • ***Notify regulatory agencies having jurisdiction over the entity that the accountant's review report is not to be used, including a request that the agency take whatever steps it may deem appropriate to accomplish the necessary disclosure.*** • ***Notify anyone known to the accountant to be using the financial statements that the accountant's review report is not to be used. In some instances, it will not be practicable for the accountant to give appropriate individual notification to stockholders or investors at large whose identities are unknown to the accountant; notification to a regulatory agency having jurisdiction over the entity will usually be the only practical means for the accountant to provide appropriate disclosure, together with a request that the agency take whatever steps it may deem appropriate to accomplish the necessary disclosure.***

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	.A77 ***Depending on the circumstances, if the accountant is able to determine that the financial statements need revision, the accountant's notification to anyone in receipt of the reviewed financial statements may, if permitted by law, regulation, and relevant ethical requirements*** • ***include a description of the nature of the matter and of its effect on the financial statements, avoiding comments concerning the conduct or motives of any person.*** • ***describe the effect that the matter would have had on the accountant's review report if it had been known to the accountant at the date of the report and had not been reflected in the financial statements.***
	.A78 ***If the accountant was not able to determine whether the financial statements need revision, the notification to anyone in receipt of the reviewed financial statements may indicate that information became known to the accountant and that, if the information is true, the accountant believes that the accountant's review report is not to be used. The specific matter may not be permitted by law, regulation, and ethical requirement to be detailed in the notification.***
Written Representations	**Written Representations**
Written Representations as Review Evidence	**Written Representations as Review Evidence (Ref: par. .~~32~~56)**
.~~32~~.56 *Written representations* are necessary information that the accountant requires in connection with a review of the entity's financial statements. Accordingly, similar to responses to inquiries, written representations are review evidence. (Ref: par. .~~A52~~***A79***)	.~~**A52**~~ A79 Written representations are an important source of review evidence. If management modifies or does not provide the requested written representations, it may alert the accountant to the possibility that one or more significant issues may exist. Further, a request for written, rather than oral, representations, in many cases, may prompt management to consider such matters more rigorously, thereby enhancing the quality of the representations.

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Management From Whom Written Representations Are Requested	**Management From Whom Written Representations Are Requested (Ref: par. .~~33~~*57*)**
.~~33~~.*57* The accountant should request written representations from members of management who have appropriate responsibilities for the financial statements and knowledge of the matters concerned. (Ref: par. .~~A53~~***A80***–.~~A55~~***A82***)	.~~A53~~ *A80* Written representations are requested from those with overall responsibility for financial and operating matters whom the accountant believes are responsible for, and knowledgeable about, directly or through others in the organization, the matters covered by the representations, including the preparation and fair presentation of the financial statements. Those individuals may vary depending on the governance structure of the entity; however, management (rather than those charged with governance) is often the responsible party. Written representations may, therefore, be requested from the entity's CEO and CFO or other equivalent persons in entities that do not use such titles. However, in some circumstances, other parties, such as those charged with governance, also are responsible for the preparation and fair presentation of the financial statements.
	.~~A54~~ *A81* Due to its responsibility for the preparation and fair presentation of the financial statements and its responsibility for the conduct of the entity's business, management would be expected to have sufficient knowledge of the process followed by the entity in preparing the financial statements on which to base the written representations.
	.~~A55~~ *A82* In some cases, management may include in the written representations qualifying language to the effect that representations are made to the best of its knowledge and belief. It is reasonable for the accountant to accept such wording if, in the accountant's judgment, the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations.
Specific Written Representations	**Specific Written Representations (Ref: par. .~~34~~*58*–.~~35~~*59*)**

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.34.*58* 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 ***that it has fulfilled its responsibilities, as set out in the terms of the engagement,*** ~~stating~~ ***including*** that (Ref: par. ~~.A56~~***A83*** – ~~.A62~~***A89***) *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.** ***all transactions have been recorded and are reflected in the financial statements.*** ~~*b*~~**c**. 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*~~**d**. management has provided the accountant with all relevant information and access ***to information***, as agreed upon in the terms of the engagement. ~~*d*.~~**e** 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.~~ **f.** ***management has disclosed to the accountant the identity of the entity's related parties and all of the related party relationships and***	**.A56** ~~–~~ *A83* Review evidence obtained during the review that management has acknowledged the responsibilities referred to in paragraph .~~34*a*~~***58*a** ~~–~~ *b* is not sufficient without obtaining representation from management that it believes that it has fulfilled those responsibilities. This is because the accountant is not able to judge solely on other review evidence whether management has prepared and fairly presented the financial statements and provided information to the accountant on the basis of the agreed acknowledgment and understanding of its responsibilities. **.A57** ~~–~~ *A84* The written representations relating to fraud required by paragraph .~~34*f*~~***58*g** ~~*g*~~ **h** are important for the accountant to obtain, regardless of the size of the entity, because of the nature of fraud and the difficulties encountered by accountants in detecting material misstatements in the financial statements resulting from fraud. **.A58** ~~–~~ *A85* Because the preparation of financial statements requires management to adjust the financial statements to correct material misstatements, the accountant is required to request that management provide a written representation about uncorrected misstatements. In some circumstances, management may not believe that certain uncorrected misstatements are misstatements. For that reason, management may want to add to their written representation words such as "We do not agree that items... and... constitute misstatements because [*description of reasons*]." **.A59** ~~–~~ *A86* Circumstances in which it may be appropriate to obtain written representations about related parties from those charged with governance in addition to management include the following:

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transactions of which it is aware, and it has appropriately accounted for and disclosed such relationships and transactions.	• When they have approved specific related party transactions that
	  ○ materially affect the financial statements or
	  ○ involve management
	• When they have made specific oral representations to the accountant on details of certain related party transactions
	• When they have financial or other interests in the related parties or the related party transactions

~~f~~**g**. management has disclosed to the accountant ***significant facts relating to any*** ~~its knowledge of~~ fraud or suspected fraud ***known to management that may have*** ~~affecting~~ ***affected*** 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.	~~**A60**~~ *A87* Because written representations are necessary review evidence, the accountant has not obtained limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the applicable financial reporting framework and the accountant's review report cannot be dated before the date of the written representations. Furthermore, because the accountant is concerned with events occurring up to the date of the accountant's review report that may require adjustment to, or disclosure in, the financial statements, the written representations are dated as of the date of the accountant's review report on the financial statements.
~~g~~**h**. management has disclosed to the accountant ***significant facts relating to*** ~~its knowledge of~~ any allegations of fraud or suspected fraud ***known to management that may have*** ~~affecting~~ ***affected*** the entity's financial statements communicated by employees, former employees, regulators, or others.	
~~h~~**i**. management has disclosed to the accountant all known ***actual or possible*** instances of noncompliance ~~or suspected noncompliance~~ with laws and regulations whose effects should be considered when preparing financial statements.	
j. ***management has disclosed to the accountant all information relevant to use of the going concern assumption in the financial statements.***	~~**A61**~~ *A88* The written representations cover all periods referred to in the accountant's review report because management needs to reaffirm that the written representations it previously made with respect to the prior periods remain appropriate. The accountant and management may agree to a form of written representation that updates written representations relating to the prior periods by addressing whether
k. ***management has properly accounted for all events occurring subsequent to the date of the financial statements and for which the***	

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applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.	there are any changes to such written representations and, if so, what they are.
i. management has disclosed to the accountant whether 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 it believes that significant assumptions it used in making accounting estimates are reasonable. ~~*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.~~ ~~*m.* management has disclosed to the accountant all information relevant to use of the going concern assumption in the financial statements.~~ ~~*n.* management has properly accounted for all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure.~~	**.A62** ~~.~~*A89* Situations may arise in which current management was not present during all periods referred to in the accountant's review report. Such persons may assert that they are not in a position to provide some or all of the written representations because they were not in place during the period. This fact, however, does not diminish such persons' responsibilities for the financial statements as a whole. Accordingly, the requirement for the accountant to request from them written representations that cover the whole of the relevant period(s) still applies.
~~.35~~ *59* If, in addition to the representations required by paragraph ~~.34~~***58***, the accountant determines that it is necessary to obtain one or more written	**.A63** ~~.~~*A90* The accountant may request additional representations regarding matters specific to the entity's business or industry. In

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representations to support other review evidence relevant to the financial statements, the accountant should request such other written representations. (Ref: par. .~~A63~~*A90*)	addition, the accountant is not precluded from obtaining representations regarding services performed in addition to the review engagement.
Form of Written Representations	**Form of Written Representations (Ref: par. .~~36~~*60*)**
.~~36~~ *60* The written representations should be in the form of a representation letter addressed to the accountant. (Ref: par. .~~A64~~*A91*–.~~A65~~*A92*)	**.~~A64~~** *A91* Occasionally, circumstances may prevent management from signing the representation letter and returning it to the accountant on the date of the accountant's review report. In those circumstances, the accountant may accept management's oral confirmation, on or before the date of the accountant's review report, that management has reviewed the final representation letter and will sign the representation letter without exception as of the date of the accountant's review report. Possession of the signed management representation letter prior to releasing the accountant's review report is necessary because paragraph .~~36~~ ***60*** requires that the representations be in the form of a written letter from management. Furthermore, when there are delays in releasing the report, a fact may become known to the accountant that, had it been known to the accountant at the date of the accountant's review report, might affect the accountant's review report and result in the need for updated representations. **.~~A65~~** *A92* Exhibit B, "Illustrative Representation Letter," provides an illustrative example of a representation letter.
Concerns About the Reliability of Written Representations and Requested Written Representations Not Provided	
.~~37~~ *61* If, in relation to the written representations required by paragraphs .~~34~~***58*** – .~~35~~ ***59*** *a.* management does not provide the written representations, or	

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b. the accountant concludes that there is cause to doubt management's integrity such that the written representations provided are not reliable the accountant should discuss the matter with management and those charged with governance, as appropriate. If management does not provide the required representations or the accountant continues to doubt management's integrity such that the written representations provided may not be reliable, the accountant should withdraw from the engagement.	
Forming the Accountant's Conclusion on the Financial Statements	*Forming the Accountant's Conclusion on the Financial Statements*
Consideration of the Applicable Financial Reporting Framework in Relation to the Financial Statements	**Consideration of the Applicable Financial Reporting Framework in Relation to the Financial Statements** ***(Ref: par. 62(a) and 63)***
.62 In forming the conclusion on the financial statements, the accountant should: ***(a) Evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework; (Ref: par. A93-A94)*** ***(b) Consider whether, in the context of the requirements of the applicable financial reporting framework and the results of procedures performed:*** ***(i) The terminology used in the financial statements, including the title of each financial statement, is appropriate;*** ***(ii) The financial statements adequately disclose the significant accounting policies selected and applied;*** ***(iii) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;*** ***(iv) Accounting estimates made by management appear reasonable;***	***.A93 The description of the applicable financial reporting framework in the financial statements is important because it advises users of the financial statements of the framework on which the financial statements are based. If the financial statements are special purpose financial statements, they may be prepared under a special purpose financial reporting framework that is available only to the engaging party and the accountant. Description of the special purpose financial reporting framework used is important as the special purpose financial statements may not be appropriate for any use other than the intended use identified for the special purpose financial statements.*** ***.A94 A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (for example, "the financial statements are in substantial compliance with accounting principles generally accepted in the United States") is not an adequate description of that framework as it may mislead users of the financial statements.***

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(v) The information presented in the financial statements appears relevant, reliable, comparable, and understandable; and *(vi) The financial statements provide adequate disclosures to enable the intended users to understand the effects of material transactions and events on the information conveyed in the financial statements.*	
.63 The accountant should consider the impact of: *(a) Uncorrected misstatements identified during the review, and in the previous year's review of the entity's financial statements, on the financial statements as a whole; and* *(b) Qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments. (Ref: par. A95-A96)*	*.A95 In considering the qualitative aspects of the entity's accounting practices, the accountant may become aware of possible bias in management's judgments. The accountant may conclude that the cumulative effect of a lack of neutrality, together with the effect of apparent uncorrected misstatements, causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the accountant's evaluation of whether the financial statements as a whole may be materially misstated include the following:* • *The selective correction of apparent misstatements brought to management's attention during the review (for example, correcting misstatements with the effect of increasing reported earnings, but not correcting misstatements that have the effect of decreasing reported earnings).* • • *Possible management bias in the making of accounting estimates.* *.A96 Indicators of possible management bias do not necessarily mean there are misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the accountant's consideration of whether the financial statements as a whole may be materially misstated.*
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Unmodified Conclusion	
.64 ***The accountant should express an unmodified conclusion in the accountant's review report on the financial statements as a whole when the accountant has obtained limited assurance to be able to conclude that nothing has come to the accountant's attention that causes the accountant to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework.***	
.65 ***When the accountant expresses an unmodified conclusion, the accountant should use the following phrase:*** ***Based on my (our) review, I am (we are) not 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).***	
Modified Conclusion	
.66 ***The accountant should express a modified conclusion in the accountant's review report on the financial statements as a whole when the accountant determines, based on the procedures performed and the review evidence obtained, that the financial statements are materially misstated.***	
.67 ***When the accountant modifies the conclusion expressed on the financial statements, the accountant should:*** ***(a) Use the heading "Qualified Conclusion," or "Adverse Conclusion" as appropriate, for the conclusion paragraph in the accountant's review report; and*** ***(b) Provide a description of the matter giving rise to the modification, under an appropriate heading (for example, "Basis for Qualified Conclusion," or "Basis for Adverse Conclusion" as appropriate), in a separate paragraph in the accountant's review report immediately before the conclusion paragraph (referred to as the basis for conclusion paragraph).***	

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Financial statements are materially misstated	
.68 ***If the accountant determines, or is otherwise aware, that the financial statements are materially misstated, the accountant should express:*** ***(a) A qualified conclusion, when the accountant concludes that the effects of the matter(s) giving rise to the modification are material, but not pervasive to the financial statements; or*** ***(b) An adverse conclusion, when the effects of the matter(s) giving rise to the modification are both material and pervasive to the financial statements.***	
.69 ***When the accountant expresses a qualified conclusion on the financial statements because of a material misstatement, the accountant should use the following phrase:*** ***"Based on my (our) review, except for the effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, 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 (the applicable financial reporting framework)."***	
.70 ***When the accountant expresses an adverse conclusion on the financial statements, the accountant should use the following phrase:*** ***"Based on my (our) review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion paragraph, the financial statements are not prepared, in all material respects, in accordance with (the applicable financial reporting framework)."***	
.71 ***In the basis for conclusion paragraph, in relation to material misstatements that give rise to either a qualified conclusion or an adverse conclusion, the accountant should:***	

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(a) Describe and quantify the financial effects of the misstatement if the material misstatement relates to specific amounts in the financial statements (including quantitative disclosures) and the effects of the departure on the financial statements have been determined by management or are known to the accountant as the result of the accountant's procedures. If the effects of the departure have not been determined by management or are not known to the accountant as a result of the accountant's procedures, the accountant is not required to determine the effects of the departure; however, in such circumstances, the accountant should state in the report that such determination has not been made by management; ***(b) Explain how disclosures are misstated if the material misstatement relates to narrative disclosures; or*** ***(c) Describe the nature of omitted information if the material misstatement relates to the non-disclosure of information required to be disclosed. The accountant should include the omitted disclosures where practicable to do so.***	
Reporting on the Financial Statements	**Reporting on the Financial Statements (Ref: par. .~~38~~*72*)**
.~~38~~ *72* The accountant's review report should be in writing. (Ref: par. .~~A66~~***A97***–.~~A68~~***A99***)	**.~~A66~~** ~~.~~*A97* A written report encompasses reports issued in hard copy format and those using an electronic medium. **.~~A67~~** ~~.~~*A98* Financial statements that the accountant has reviewed may become unattached from the accountant's review report. To minimize the possibility that a user of the reviewed financial statements may infer, through the accountant's association with the reviewed financial statements, an unintended level of reliance on the reviewed financial statements, the accountant may consider including a reference on each page of the reviewed financial statements to the accountant's review report. An example of a reference to the

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	accountant's review report included on each page of the reviewed financial statements is "See independent accountant's review report." .~~A68~~ A99 When the accountant is unable to perform the inquiry, analytical procedures, and other review procedures the accountant considers necessary 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 in order for the statements to be in accordance with the applicable financial reporting framework, or management does not provide the accountant with a representation letter, the review will be incomplete. A review that is incomplete does not provide an adequate basis for issuing a review report.
Accountant's Review Report	**Accountant's Review Report (Ref: par. .~~39~~73)**
.~~39~~*73* The written review report should include the following: (Ref: par. .~~A81~~***A113***) *a.* A title that includes the word *independent* to clearly indicate that it is the report of an independent accountant ***for a review engagement*** (Ref: par. .~~A69~~***A100***) *b.* An addressee, as appropriate for the circumstances of the engagement (Ref: par. .~~A70~~***A101***)	*Title* .~~A69~~ A100 An appropriate title would be "Independent Accountant's Review Report." *Addressee* .~~A70~~ A101 The accountant's review report is normally addressed to those for whom the report is prepared. The report may be addressed to the entity whose financial statements are being reviewed or to those charged with governance. A report on financial statements of an unincorporated entity may be addressed as circumstances dictate (for example, to the partners, general partner, or proprietor). Occasionally, an accountant may be retained to review the financial statements of an entity that is not a client; in such a case, the report may be addressed to the entity and not to those charged with governance of the entity whose financial statements are being reviewed.

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c. An introductory paragraph that (Ref: par. ~~.A71~~***A102*** – ~~.A73~~***A104***)	*Introductory Paragraph*
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	~~**.A71**~~ *A102* The introductory paragraph states, for example, that the accountant has "reviewed the accompanying financial statements of ABC Company, which comprise the balance sheet as of December 31, 20X1, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the financial statements." If the financial statements include a separate statement of changes in stockholders' equity accounts or a separate statement of comprehensive income, paragraph ~~.39*e*~~***73c***(iii) requires such statements to be identified in the introductory paragraph of the report as a statement to which the financial statements are comprised. ~~**.A72**~~ *A103* When the accountant is aware that the reviewed financial statements will be included in a document that contains other information, such as an annual report, the accountant may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial statements are presented. This helps users identify the financial statements to which the accountant's review report relates. ~~**.A73**~~ *A104* The identification of the title for each statement that the financial statements comprise may be achieved by referencing the table of contents.
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	*Management's Responsibility* ~~**.A74**~~ *A105* Management, and when appropriate, those charged with governance, accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting

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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 (Ref: par. ~~A74~~***A105***)	framework, including their fair presentation. Management also accepts responsibility for 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. The description of management's responsibilities in the accountant's review report includes reference to both responsibilities because it helps explain to users the premise on which a review is conducted.
e. A section with the heading "Accountant's Responsibility" that includes the following statements:	*Accountant's Responsibility*
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. ~~A75~~***A106*** – ~~A77~~***A108***)	~~**A75**~~ *A106* The accountant's review report states that 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 in order to contrast it to management's responsibility for the financial statements.
	~~**A76**~~ *A107* The reference to the standards used conveys to users of the accountant's review report that the review engagement has been conducted in accordance with established standards.
ii. The accountant believes that the results of the accountant's procedures provide a reasonable basis for the accountant's conclusion.	~~**A77**~~ *A108* The accountant is not permitted to represent compliance with SSARSs in the accountant's review report unless the accountant has complied with the relevant requirements within the body of SSARSs.
f. A concluding section with an appropriate heading that includes ***the accountant's conclusion on the financial statements in accordance with paragraphs 64-71, as appropriate, and that identifies the country of origin of the financial reporting framework, if applicable.*** ~~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~~	

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~~identifies the country of origin of those accounting principles, if applicable (Ref: par. .A50)~~	
g. ***When the accountant's conclusion on the financial statements is modified:***	
i. A paragraph under the appropriate heading that contains the accountant's modified conclusion in accordance with paragraphs 66-71, as appropriate; and	**Basis for Modification Paragraph When the Conclusion Is Modified**
ii. A paragraph, under an appropriate heading, that provides a description of the matter(s) giving rise to the modification; (Ref: par. A109)	***.A109 An adverse conclusion or a disclaimer of conclusion relating to a specific matter described in the basis for modification paragraph does not justify the omission of a description of other identified matters that would have otherwise required a modification of the accountant's conclusion. In such cases, the disclosure of such other matters of which the accountant is aware may be relevant to users of the financial statements.***
h. ***A statement that the accountant is independent and has fulfilled the accountant's other ethical responsibilities in accordance with relevant ethical requirements relating to the review engagement;***	
g. The signature of the accountant's firm	*Accountant's Address*
h. The city and state where the accountant practices (Ref: par. ~~.A78~~***A110***)	~~**.A78**~~ *A110* The city and state where the accountant practices may be indicated on letterhead that contains the issuing office's city and state.
	Date of the Accountant's Review Report
i. The date of the review report, which should be dated no earlier than the date on which the accountant ***has obtained sufficient appropriate review evidence as the basis for the accountant's conclusion on the financial statements, including being satisfied that*** ~~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~~	~~**.A79**~~ *A111* The date of the accountant's review report informs users of the accountant's review report that the accountant has considered the effect of events and transactions of which the accountant became aware and that occurred up to that date. The accountant's responsibility for events and transactions after the date of the accountant's review report is addressed in paragraphs ~~.71~~***45***–~~.77~~***55***.

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~~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. .~~A79~~***A111***–.~~A80~~***A113***)	.~~**A80**~~ *A112* Because the accountant's conclusion is provided on the financial statements, and the financial statements are the responsibility of management, the accountant is not in a position to conclude that the accountant has obtained 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 until evidence is obtained that all the statements that the financial statements comprise, including the related notes, have been prepared, and management has accepted responsibility for them. .~~**A81**~~ *A113* Exhibit C, "Illustrations of Accountant's Review Reports on Financial Statements," contains illustrations of accountant's review reports on financial statements incorporating the elements required by paragraph .~~39~~***73***.
Accountant's Review Report on Financial Statements Prepared in Accordance With a Special Purpose Framework	**Accountant's Review Report on Financial Statements Prepared in Accordance With a Special Purpose Framework (Ref: par. .~~09~~*14*, .~~40~~*74*, and .~~44~~*.77-78*)**
.~~**40**~~ *74* The accountant should modify the review report when the accountant becomes aware that the financial statements do not include *a.* a description of the special purpose framework. (Ref: par. .~~A82~~***A114-.A115***) *b.* a summary of significant accounting policies.	*.A114* ***There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorized or recognized standards setting organization such as U.S. GAAP, or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires financial statements to be prepared in accordance with most, but not all, of U.S. GAAP. When this is acceptable in the circumstances of the engagement it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial statements to imply full compliance with the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation. In the preceding example of the contract, the description of the applicable financial reporting framework may refer to the financial***

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	reporting provisions of the contract, rather than make reference to U.S. GAAP.
	
	.**~~A82~~** *A115* The description of the special purpose framework may be included in the financial statement titles, in the notes to the financial statements, or otherwise on the face of the financial statements. Although terms such as *balance sheet*, *statement of financial position*, *statement of income*, *statement of operations*, and *statement of cash flows* or similar unmodified titles, are generally understood to be applicable only to financial statements that are intended to present financial position, results of operations, or cash flows in accordance with GAAP, such titles, with appropriate modification, may be used in connection with financial statements prepared in accordance with a special purpose framework. Suitable financial statement titles for financial statements prepared in accordance with a special purpose framework include, but are not limited to
	
	• a modified cash-basis financial statement that might be titled
	  ○ "Income Statement—Modified Cash-Basis," or
	  ○ "Statement of Cash Receipts and Disbursements."
	
	• financial statements prepared in accordance with the tax-basis of accounting that might be titled
	  ○ "Balance Sheet—Tax-Basis,"
	  ○ "Statement of Assets, Liabilities, and Equity—Tax-Basis,"
	  ○ "Statement of Operations—Tax-Basis," or
	  ○ "Statement of Revenue and Expenses—Tax-Basis."

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c. an adequate description about how the special purpose framework differs from GAAP. The effects of these differences need not be quantified. (Ref: par. ***.A116***)	• a financial statement prepared in accordance with a regulatory-basis of accounting that might be titled "Statement of Income—Regulatory-Basis." ***.~~A83~~*** *A116* The description of how the special purpose framework differs from GAAP ordinarily includes only the material differences between GAAP and the special purpose framework. For example, if several items are accounted for differently in accordance with the special purpose framework than they would be in accordance with GAAP, but only the differences in how depreciation is calculated are material, a brief description of the depreciation differences is all that would be necessary, and the remaining differences need not be described. The differences need not be quantified.
d. ***in financial statements prepared in accordance with a fair presentation framework,*** informative disclosures similar to those required by GAAP when the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP. (Ref: par. ***.A117***)	***.~~A84~~*** *A117* Financial statements prepared when applying a ***fair presentation*** special purpose framework are not considered appropriate in form unless the financial statements include informative disclosures similar to those required by GAAP if the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP.
.~~41~~ *75* In the case of financial statements prepared in accordance with ***the provisions of a contract***, the accountant should ***evaluate whether the financial statements adequately describe any significant interpretations of the contract on which the financial statements are based and*** modify the review report if the financial statements do not adequately describe any significant interpretations of the contract on which the financial statements are based.	
.~~42~~ *76* ***In the case of an accountant's review report on special purpose financial statements,*** ***if management has a choice of financial reporting frameworks in the preparation of the special purpose financial statements, the explanation of management's responsibility for the financial***	

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statements should also make reference to *its* responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.	
.43~~.~~*77* The accountant's review report on financial statements prepared in accordance with a special purpose framework should include an emphasis-of-matter paragraph, under an appropriate heading, that *(Ref: par. .A118-.A119)* *a.* indicates that the financial statements are prepared in accordance with the applicable special purpose framework, *b.* refers to the note to the financial statements that describes the framework, and *c.* states that the special purpose framework is a basis of accounting other than GAAP. *For special purpose financial statements prepared in accordance with a contractual basis of accounting, the emphasis-of-matter paragraph also should state that, as a result, the financial statements may not be suitable for another purpose.*	*.A118 Special purpose financial statements may be used for purposes other than those for which they were intended. To avoid misunderstandings, paragraph .77 requires the accountant to include an emphasis-of-matter paragraph in the accountant's review report that alerts users of the accountant's review report that the financial statements are prepared in accordance with a special purpose framework and that the basis of accounting is a basis of accounting other than GAAP.* *.A119 Financial statements prepared in accordance with a special purpose framework may be the only financial statements an entity prepares. Such special purpose financial statements may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements, the financial statements are still considered to be special purpose financial statements for purposes of SSARSs. The requirement in paragraph .77 is designed to avoid misunderstandings about the framework used to prepare the financial statements.*
.44~~.~~*78 If the special purpose financial statements are prepared in accordance with the contractual basis of accounting, t*he accountant's review report should include, in accordance with paragraph .~~5~~*491*, an other-matter paragraph, under an appropriate heading, that, in accordance with paragraphs .~~61~~*94*–.~~62~~*95*, restricts the use of the accountant's review report. (Ref: par. .~~A86~~*A120*)	**.A86**~~.~~*A120 If the special purpose financial statements are prepared in accordance with a contractual basis of accounting, paragraph .78 requires the accountant to include an other-matter paragraph in the accountant's review report, under an appropriate heading, that restricts the use of the accountant's review report to specified parties pursuant to paragraphs .94-.95. In the case of special purpose financial statements prepared in accordance with a basis of accounting other than a contractual basis, the accountant may*

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b. a regulatory-basis of accounting, or¶
c. an other-basis of accounting when required pursuant to paragraph .~~61a~~*94***a**–*b*.

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	consider it necessary in the circumstances of the engagement to include an alert that restricts the use of the accountant's review report, but is not required to do so.
Comparative Financial Statements	**Comparative Financial Statements (Ref: par. .~~45~~*79*)**
.~~45~~ *79* Comparative financial statements may be required by the applicable financial reporting framework, or management may elect to provide such information. When comparative financial statements are presented, the accountant's report should refer to each period for which financial statements are presented. (Ref: par. .~~A87~~***A121***–.~~A88~~***A122***)	**.~~A87~~** *A121* The level of information included for the prior periods in comparative financial statements is comparable with that of financial statements of the current period. **.~~A88~~** *A122* If one firm of accountants merges with another firm, and the new firm becomes the accountant of a client of one of the two former firms, the new firm may accept responsibility and issue a review report on the financial statements for the prior period(s) as well as for those of the current period. The new firm may indicate in the accountant's review report or as part of the signature that a merger took place and may name the firm with whom it was merged.
Updating the Report	**Updating the Report (Ref: par. .~~46~~*80*)**
.~~46~~ *80* When reporting on all periods presented, a continuing accountant should update the report on one or more prior periods presented on a comparative basis with those of the current period. The accountant's report on comparative financial statements should not be dated earlier than the date that 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 with respect to the current period. (Ref: par. .~~A89~~***A123***)	**.~~A89~~** *A123* An updated report is issued in conjunction with the continuing accountant's report on the current period financial statements.
.~~47~~ *81* When issuing an updated report, the continuing accountant should consider information that the accountant has become aware of during the review of the current period financial statements.	
.~~48~~ *82* If, during the current engagement, circumstances or events come to the accountant's attention that may affect the prior-period financial statements presented, the accountant should consider the effects on the review report.	

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Changed Reference to a Departure From the Applicable Financial Reporting Framework	**Changed Reference to a Departure From the Applicable Financial Reporting Framework (Ref: par. .~~49~~*83*)**
.~~49~~ *83* When the accountant's report on the financial statements of the prior period contains a changed reference to a departure from the applicable financial reporting framework, the accountant's review report should include an other-matter paragraph indicating (Ref: par. .~~A90~~***A124***) *a.* the date of the accountant's previous review report. *b.* the circumstances or events that caused the reference to be changed. *c.* when applicable, that the financial statements of the prior period have been changed.	**.~~A90~~** *A124* A changed reference includes the removal of a prior reference or the inclusion of a new reference.
Reporting When One Period Is Audited	
.~~50~~ *84* When the prior period financial statements were audited and the auditor's report on the prior period financial statements is not reissued, the review report on the current period financial statements should include an other-matter paragraph indicating *a.* that the financial statements of the prior period were previously audited; *b.* the date of the auditor's report on the prior period financial statements; *c.* the type of opinion issued on the prior period financial statements; *d.* if the opinion was modified, the substantive reasons for the modification; and *e.* that no auditing procedures were performed after the date of the previous report.	
~~**Communicating to Management and Others Regarding Fraud or Noncompliance With Laws and Regulations**~~	~~**Communicating to Management and Others Regarding Fraud or Noncompliance With Laws and Regulations (Ref: par. .51)**~~

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~~**.51** If the accountant becomes aware that fraud (including misappropriation of assets) may have occurred, the accountant should communicate the matter as soon as practicable to the appropriate level of management (at a level above those involved with the suspected fraud, if possible). If the accountant becomes aware of matters involving identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements, the accountant should communicate the matters to management, other than when matters are clearly inconsequential. If the fraud or noncompliance with laws or regulations involves senior management or results in a material misstatement of the financial statements, the accountant should communicate the matter directly to those charged with governance. If management or, as appropriate, those charged with governance do not provide sufficient information that supports that (Ref: par. .A91–.A93)~~ ~~*a.* the financial statements are not materially misstated due to fraud or~~ ~~*b.* the entity is in compliance with laws and regulations, and in the accountant's professional judgment, the effect of the suspected noncompliance may be material to the financial statements~~ ~~the accountant should consider the need to obtain legal advice and take appropriate action, including potential withdrawal. (Ref: par. .A94)~~	~~**.A91** The communication of matters involving identified or suspected noncompliance may describe the act of identified or suspected noncompliance, the circumstances of its occurrence, and the effect on the financial statements. The accountant may reach agreement in advance with management and those charged with governance, if applicable, on the nature and amount of matters that would be considered not material and, thus, need not be communicated.~~ ~~**.A92** The disclosure of any evidence or information that comes to the accountant's attention during the performance of review procedures that fraud or noncompliance with laws or regulations may have occurred to parties other than the entity's senior management (or those charged with governance, if applicable) ordinarily is not part of the accountant's responsibility and, ordinarily, would be precluded by the accountant's ethical or legal obligations of confidentiality.~~ ~~**.A93** A duty to disclose to parties outside of the entity may exist in the following circumstances:~~ ~~• To comply with certain legal and regulatory requirements~~ ~~• To a successor accountant when management has given permission for communication between the predecessor accountant and the successor accountant~~ ~~• In response to a subpoena~~ ~~In such circumstances, the accountant may consider it appropriate to consult with legal counsel.~~ ~~**.A94** The accountant may consider whether withdrawal from the engagement is necessary when~~

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	~~• management or those charged with governance do not take the remedial action that the accountant considers necessary in the circumstances or~~ ~~• matters regarding fraud or noncompliance with laws or regulations involve an owner of the business.~~ ~~When deciding whether withdrawal from the engagement is necessary, the accountant may consider seeking legal advice.~~
Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report	**Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report (Ref: par. .~~52~~ *85* and .~~54~~*87*)**
	.~~A95~~ *A125* The accountant is required to include an emphasis-of-matter or other-matter paragraph in the accountant's review report relating to the following matters: • In accordance with paragraphs .~~43~~***77***–.~~44~~ ***78*** with respect to financial statements prepared in accordance with a special purpose framework • In accordance with paragraph .~~49~~ ***83*** with respect to a changed reference to a departure from the applicable financial reporting framework when reporting on comparative financial statements • In accordance with paragraph .~~50~~ ***84*** with respect to reporting on comparative financial statements when the prior period is audited ~~• In accordance with paragraph .57 with respect to reporting a known departure from the applicable financial reporting framework that is material to the financial statements~~ • In accordance with paragraph .~~75*c*~~ ***103*c** with respect to reporting when management revises financial statements for a subsequently discovered fact that became known to the accountant after the report release date and the accountant's review report on the revised financial statements differs from

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	the accountant's review report on the original financial statements • In accordance with paragraph .~~80–~~***107*** with respect to supplementary information that accompanies reviewed financial statements and the accountant's review report thereon • In accordance with paragraph .~~83~~***109*** with respect to required supplementary information
Emphasis-of-Matter Paragraphs in the Accountant's Review Report	**Emphasis-of-Matter Paragraphs in the Accountant's Review Report (Ref: par. .~~52~~*85*–.~~54~~*86*)**
.~~52~~ *85* If the accountant considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the accountant's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the accountant should include an emphasis-of-matter paragraph in the accountant's review report, provided that the accountant ***has obtained sufficient appropriate review evidence to conclude that*** ~~does not believe that~~ ***the accountant is not aware of any material modifications should be made to*** the financial statements ~~may be materially misstated~~ ***with respect to such matter***. Such a paragraph should refer only to information presented or disclosed in the financial statements. (Ref: par. .~~A95~~***A125***–.~~A97~~***A127***)	.~~**A96**~~ *A126* In addition to the required emphasis-of-matter paragraphs listed in paragraph .~~A91~~***A125***, the following are examples of circumstances when the accountant may consider it necessary to include an emphasis-of-matter paragraph: • An uncertainty regarding the entity's ability to continue as a going concern for a reasonable period of time • An uncertainty relating to the future outcome of unusually important litigation or regulatory action • A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position • Significant transactions with related parties • Unusually important subsequent events .~~**A97**~~ *A127* Paragraph .~~52~~ ***85*** requires that an emphasis-of-matter paragraph refer only to matters appropriately presented or disclosed in the financial statements. To include information in an emphasis-of-matter paragraph about a matter beyond what is presented or disclosed in the financial statements may raise questions about the appropriateness of such presentation or disclosure.

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.~~53~~ *86* When the accountant includes an emphasis-of-matter paragraph in the accountant's review report, the accountant should *a.* include it immediately after the accountant's conclusion paragraph in the accountant's review report, *b.* use the heading "Emphasis of a Matter" or other appropriate heading, (Ref: par. .~~A98~~***A128***) *c.* include in the paragraph a clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements, and *d.* indicate that the accountant's conclusion is not modified with respect to the matter emphasized. (Ref: par. .~~A99~~***A129***)	.~~**A98**~~ *A128* Another heading may be considered appropriate if it adequately describes the nature of the matter being disclosed or communicated. .~~**A99**~~ *A129* The inclusion of an emphasis-of-matter paragraph in the accountant's review report does not affect the accountant's conclusion. An emphasis-of-matter paragraph is not a substitute for disclosures in the financial statements that the applicable financial reporting framework requires management to make.
Other-Matter Paragraphs in the Accountant's Review Report	**Other-Matter Paragraphs in the Accountant's Review Report (Ref: par. .~~54~~*87*)**
.~~54~~ *87* If the accountant considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the accountant's professional judgment, is relevant to the users' understanding of the review, the accountant's responsibilities, or the accountant's review report, the accountant should do so in a paragraph in the accountant's review report with the heading "Other Matter" or other appropriate heading. The accountant should include this paragraph immediately after the accountant's conclusion paragraph and any emphasis-of-matter paragraph. (Ref: .~~A95~~***A125***, .~~A98~~***A128***, and .~~A100~~***A130***–.~~A102~~***A132***)	.~~**A100**~~ *A130* If not properly presented or disclosed in the financial statements, a matter cannot be included in an emphasis-of-matter paragraph. However, if the matter is relevant to users' understanding of the review, the accountant's responsibilities, or the accountant's review report, the matter can be disclosed in an other-matter paragraph. .~~**A101**~~ *A131* An entity may prepare one set of financial statements in accordance with a general purpose framework (for example, accounting principles generally accepted in the United States of America) and another set of financial statements in accordance with

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	another general purpose framework (for example, International Financial Reporting Standards promulgated by the International Accounting Standards Board) and may engage the accountant to review both sets of financial statements. If the accountant has determined that the frameworks are acceptable in the respective circumstances, the accountant may include an other-matter paragraph in the accountant's review report referring to the fact that another set of financial statements has been prepared by the same entity in accordance with another general purpose framework and that the accountant has issued a review report on those financial statements.
	.~~A102~~ *A132* The content of an other-matter paragraph reflects clearly that such other matter is not required to be presented and disclosed in the financial statements. An other-matter paragraph does not include information that the accountant is prohibited from providing by law, regulation, or other professional standards (for example, ethical standards relating to the confidentiality of information). An other-matter paragraph does not include information that is required to be provided by management.
Communication With Management	**Communication With Management (Ref: par. .~~55~~*88*)**
.~~55~~ *88* If the accountant expects to include an emphasis-of-matter or other-matter paragraph in the accountant's review report, the accountant should communicate with management regarding this expectation and the proposed wording of this paragraph. (Ref: par. .~~A103~~***A133***–.~~A104~~***A134***)	**.~~A103~~** *A133* The accountant's communication with management, as described in paragraph .~~55~~***88***, enables management to be made aware of the nature of any specific matters that the accountant intends to highlight in the accountant's review report and provides them with an opportunity to obtain further clarification from the accountant, when necessary. When the inclusion of an other-matter paragraph on a particular matter in the accountant's review report recurs on each successive engagement, the accountant may determine that it is unnecessary to repeat the communication on each engagement.
	.~~A104~~ *A134* In addition to management, the accountant may also consider it appropriate to communicate with those charged with

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	governance regarding the expectation of including an other-matter paragraph in the accountant's review report and the proposed wording of this paragraph.
Other Reporting Responsibilities	*Other Reporting Responsibilities (Ref: par. 89)*
.89 An accountant may be requested to address other reporting responsibilities in the accountant's review report on the financial statements that are in addition to the accountant's responsibilities in accordance with this section to report on the financial statements. In such situations, those other reporting responsibilities should be addressed by the accountant in a separate section in the accountant's review report headed "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section, following the section of the report headed "Report on the Financial Statements." (Ref: par. A135)	***A135 These other reporting responsibilities are addressed in a separate section of the accountant's report, to clearly distinguish them from the accountant's responsibility in accordance with this section to report on the financial statements. Where relevant, this section may contain sub-heading(s) that describe(s) the content of the other reporting responsibility paragraph(s).***
~~**Known Departures From the Applicable Financial Reporting Framework**~~	~~**Known Departures From the Applicable Financial Reporting Framework (Ref: par. .57 and .59–.60)**~~
~~**.56** When the accountant becomes aware of a departure from the applicable financial reporting framework (including inadequate disclosure) that is material to the financial statements and if the financial statements are not revised, the accountant should consider whether modification of the standard report is adequate to disclose the departure.~~	
~~**.57** If the accountant concludes that modification of the standard report is adequate, the departure should be disclosed in a separate paragraph of the report under the heading "Known Departures From the [*identify the applicable financial reporting framework*]," including disclosure of the effects of the departure on the financial statements if such effects have been determined by management or are known to the accountant as the result of the accountant's procedures. (Ref: par. .A105 and .A110)~~	~~**.A105** Examples of headings that an accountant may use to disclose departures from an applicable financial reporting framework in the accountant's review report include the following:~~ ~~• Known Departures From Accounting Principles Generally Accepted in the United States of America~~ ~~• Known Departures From International Financial Reporting Standards as Promulgated by the International Accounting Standards Board~~ ~~• Known Departures From the Cash Basis of Accounting~~ ~~• Known Departures From the Tax Basis of Accounting~~

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~~**.58** If the effects of the departure have not been determined by management or are not known to the accountant as a result of the accountant's procedures, the accountant is not required to determine the effects of a departure; however, in such circumstances, the accountant should state in the report that such determination has not been made.~~	
~~**.59** If the accountant believes that modification of the standard report is not adequate to indicate the deficiencies in the financial statements as a whole, the accountant should withdraw from the review engagement. (Ref: par. .A106)~~	~~**.A106** Prior to withdrawing from a review engagement in those circumstances when the accountant believes that modification of the standard report is not adequate to indicate the deficiencies in the financial statements as a whole, the accountant may wish to consult with legal counsel.~~
~~**.60** The accountant should not modify the standard report to include a statement that the financial statements are not in accordance with the applicable financial reporting framework. (Ref: par. .A107–.A109)~~	~~**.A107** Including a statement that the financial statements are not in accordance with the applicable financial reporting framework would be tantamount to expressing an adverse opinion on the financial statements. Such an opinion can be expressed only in the context of an audit engagement. Furthermore, such a statement in an accountant's review report may confuse users because it would contradict the statement required in paragraph .39*f* about 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.~~ ~~**.A108** Depending on the accountant's assessment of the possible dollar magnitude of the effect of the departures, the significance of the affected items to the entity, the pervasiveness and overall impact of the misstatements, and whether disclosure has been made of the effect of the departures, the accountant may, in accordance with paragraphs .52–.55, include a separate paragraph in the accountant's review report stating the limitations of the financial statements. The following is an illustration of such a separate paragraph with respect to an accountant's review report on financial statements prepared in~~

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	~~accordance with accounting principles generally accepted in the United States of America:~~ ~~***Limitations of the financial statements***~~ ~~Because of the significance and pervasiveness of the matters described in the Known Departures From Accounting Principles Generally Accepted in the United States of America paragraphs, we cannot assess their impact on the financial statements. Users of the accompanying financial statements should recognize that they might reach different conclusions about the company's financial position, results of operations, and cash flows if they had access to revised financial statements prepared in accordance with accounting principles generally accepted in the United States of America.~~ ~~**.A109** Inclusion of a separate paragraph, such as that illustrated in paragraph .A104 in the accountant's review report is not a substitute for disclosure of the specific departures or the effects of such departures if such effects have been determined by management or are known as a result of the accountant's procedures.~~
	~~**.A110** Exhibit C, "Illustrations of Accountant's Review Reports on Financial Statements," contains an illustrative example of an accountant's review report that discloses a departure from the applicable financial reporting framework.~~
Alert That Restricts the Use of the Accountant's Review Report	**Alert That Restricts the Use of the Accountant's Review Report (Ref: par. .~~61~~*90*)**
~~.61~~*90* An accountant's review report should include an alert, in a separate paragraph, that restricts its use when the subject matter of the accountant's review report is based on (Ref: par. .~~A111~~***A136***–~~A113~~***A138***)	**~~.A111~~** ~~*A136*~~ The need for an alert that restricts the use of the accountant's review report arises from the potential for the accountant's review report to be misunderstood if taken out of the context in which the accountant's review report is intended to be used.

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a. measurement or disclosure criteria that are determined by the accountant to be suitable only for a limited number of users who can be presumed to have an adequate understanding of the criteria or *b.* measurement or disclosure criteria that are available only to the specified parties	**.~~A112~~** *A137* Accountant's review reports on financial statements prepared in accordance with a general purpose framework ordinarily do not include an alert that restricts their use. A general purpose framework is a financial reporting framework designed to meet the common financial information needs of a wide range of users. However, nothing in SSARSs precludes an accountant from including an alert in any accountant's review report. For example, financial statements prepared specifically for use in an acquisition may be prepared in accordance with a general purpose framework because the parties involved in the transaction have agreed that such general purpose financial statements are appropriate for their purposes. Nevertheless, when the terms of the engagement to review those financial statements require the accountant to supply the accountant's review report only to specified parties, the accountant may consider it necessary in the circumstances to include an other-matter paragraph in the accountant's review report that restricts the use of the accountant's review report. **Distribution of the Accountant's Review Report (Ref: par. .~~61~~*90*)** **.~~A113~~** *A138* An accountant is not responsible for controlling, and cannot control, distribution of the accountant's review report after its release. The alert that restricts the use of the accountant's review report is designed to avoid misunderstandings related to the use of the accountant's review report, particularly if the accountant's review report is taken out of the context in which the accountant's review report is intended to be used. An accountant may consider informing the entity or other specified parties that the accountant's review report is not intended for distribution to parties other than those specified in the accountant's review report. The accountant may, in connection with establishing the terms of the engagement, reach an understanding with the entity that the intended use of the accountant's

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	review report will be restricted and may obtain the entity's agreement that the entity and specified parties will not distribute such accountant's review report to parties other than those identified therein.
.~~62~~ *91* The alert that restricts the use of the accountant's review report required by paragraph .~~61~~ ***90*** should *a.* state that the accountant's review report is intended solely for the information and use of the specified parties. *b.* identify the specified parties for whom use is intended. *c.* state that the accountant's review report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .~~A114~~***A139***)	**Illustrative Alert Language (Ref: par. .~~62~~*91*)** **.~~A114~~** *A139* The alert that restricts the use of the accountant's review report may list the specified parties or refer to the specified parties listed elsewhere in the accountant's review report. The following illustrates language that includes the elements required by paragraph .~~62~~***91***: This report is intended solely for the information and use of [*list or refer to the specified parties*] and is not intended to be, and should not be, used by anyone other than these specified parties.
Adding Other Specified Parties	**Adding Other Specified Parties (Ref: par. .~~63~~*92*)**
.~~63~~ *92* When, in accordance with paragraph .~~61~~***90***, the accountant includes an alert that restricts the use of the accountant's review report to certain specified parties and the accountant is requested to add other parties as specified parties, the accountant should determine whether to agree to add the other parties as specified parties. (Ref: par. .~~A115~~***A140***)	**.~~A115~~** *A140* When the accountant is requested to add other parties as specified parties, the accountant may agree to add other parties as specified parties based on the accountant's consideration of factors such as the identity of the other parties and the intended use of the accountant's review report.
.~~64~~ *93* If the other parties are added after the release of the accountant's review report, the accountant should either: *a.* Amend the accountant's review report to add the other parties and, in such circumstances, not change the original date of the accountant's review report. *b.* Provide a written acknowledgment to management and the other parties that such parties have been added as specified parties and state in the acknowledgment that no procedures were performed subsequent to the original date of the accountant's review report.	

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~~**Inquiry Concerning an Entity's Ability to Continue as a Going Concern**~~	~~**Inquiry Concerning an Entity's Ability to Continue as a Going Concern (Ref: par. .65—.66)**~~
~~**.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 the following: (Ref: par. .A116—.A117)~~ ~~**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~~ ~~The adequacy of the related disclosures in the financial statements~~	~~**.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.~~ ~~**.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 Accounting Standards Codification® (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).~~
~~**.66** 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 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, 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 should do the following (Ref: par. .A118—.A119)~~	~~**.A118** 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 inquiries of management or in the course of performing other review procedures. The significance of such conditions and events will depend on the circumstances, and some may have significance only when viewed in conjunction with others.~~

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~~***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. (Ref: par. .A120)~~	~~**.A119** The following are examples of conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time:~~ ~~• Negative trends. For example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, and other 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, a need to restructure 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~~ ~~• Internal matters. 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~~ ~~• External matters. 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, earthquake, or flood~~ ~~**.A120** 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~~

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	~~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 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~~

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	~~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.~~
~~Consider the adequacy of the disclosure about such matters in the financial statements. (Ref: par. .A121—.A122)~~	~~**.A121** In considering the adequacy of disclosure, some of the information that may be disclosed, depending on the requirements of the financial reporting framework, includes the following:~~

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	• ~~Principal conditions and events that raise substantial doubt 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~~ • ~~Management's evaluation of the significance of those conditions and events in relation to the entity's ability to meet its obligations and any mitigating factors~~ • ~~Possible discontinuance of operations~~ • ~~Management's plans (including relevant prospective financial information) 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~~ • ~~Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities~~
~~**Consideration of the Effects on**~~ *Implications for* **the Accountant's Review Report** *When Substantial Doubt Exists About the Entity's Ability to Continue as a Going Concern*	~~**Consideration of the Effects on**~~ *Implications for* **the Accountant's Review Report** *When Substantial Doubt Exists About the Entity's Ability to Continue as a Going Concern* **(Ref: par. ~~67~~*94*)**
.~~67~~ *94* 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~~***A141***–***A143***)	**~~.A122~~**.*A141* 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 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

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	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, has a net capital deficiency, and has stated that substantial doubt exists about the Company's 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.
	.~~**A123**~~ *A142* 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, which raises 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

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	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~~*A143* 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 management has disclosed (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.

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.~~68~~ *95* 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~~***A144***)	**.~~A125~~** *A144* Examples of inappropriate 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 include the following: • If the entity continues to experience recurring losses from operations and continues to have a net capital deficiency, there may be substantial doubt about its ability to continue as a going concern. The entity has been unable to renegotiate its expiring credit agreements. Unless the entity is able to obtain financial support, there is substantial doubt about its ability to continue as a going concern.
.~~69~~ *96* 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~~***68***–.~~60~~–***71*** regarding ~~known departures from the applicable financial reporting framework~~ ***modified conclusion when the financial statements are materially misstated***.	
Subsequent Events and Subsequently Discovered Facts	**Subsequent Events and Subsequently Discovered Facts**
Subsequent Events	**Subsequent Events (Ref: par. .~~69~~*97*)**
.~~70~~ *97* When evidence or information that subsequent events that require adjustment of, or disclosure in, the financial statements comes to the accountant's attention, the accountant should request that management consider whether each such event is appropriately reflected in the financial statements in accordance with the applicable financial reporting framework. (Ref: par. .~~A126~~***A145***)	**.~~A126~~** *A145* Evidence or information that subsequent events that require adjustment of, or disclosure in, the financial statements may come to the accountant's attention in the following ways: • During the performance of review procedures • Subsequent to the date of the accountant's review report but prior to the release of the report
.~~71~~ *98* If the accountant determines that the subsequent event is not adequately accounted for in the financial statements or disclosed in the notes, the accountant should follow the guidance in paragraphs .~~56~~***68***–.~~60~~***71***.	

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Subsequently Discovered Facts That Become Known to the Accountant Before the Report Release Date	
.~~72~~ *99* The accountant is not required to perform any review procedures regarding the financial statements after the date of the accountant's review report. However, if a subsequently discovered fact becomes known to the accountant before the report release date, the accountant should *a.* discuss the matter with management and, when appropriate, those charged with governance and *b.* determine whether the financial statements need revision and, if so, inquire how management intends to address the matter in the financial statements.	
.~~73~~ *100* If management revises the financial statements, the accountant should perform the review procedures necessary in the circumstances on the revision. The accountant also should either *a.* date the accountant's review report as of a later date or *b.* include an additional date in the accountant's review report on the revised financial statements that is limited to the revision (that is, dual-date the accountant's review report for that revision), thereby indicating that the accountant's review procedures subsequent to the original date of the accountant's review report are limited solely to the revision of the financial statements described in the relevant note to the financial statements.	
.~~74~~ *101* If management does not revise the financial statements in circumstances when the accountant believes they need to be revised, the accountant should modify the accountant's review report, as appropriate.	
Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date	**Subsequently Discovered Facts That Became Known to the Accountant After the Report Release Date (Ref: par. .~~74~~***102–***.~~77~~***105***)**

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~~.75~~ *102* If a subsequently discovered fact becomes known to the accountant after the report release date, the accountant should (Ref: par. ~~.A127~~***A146***–~~.A129~~***A148***) *a.* discuss the matter with management and, when appropriate, those charged with governance and *b.* determine whether the financial statements need revision and, if so, inquire how management intends to address the matter in the financial statements.	~~.**A127**~~ *A146* New information may come to the accountant's attention that, had such information been known to the accountant at the date of the accountant's review report, may have caused the accountant to revise the accountant's review report. When such information becomes known to the accountant after the report release date, the requirements in paragraphs ~~.75~~***102***–~~.78~~–***105*** apply, even if the accountant has withdrawn or been discharged. ~~.**A128**~~ *A147* Because of the variety of conditions that might be encountered, the specific procedures or actions to be taken in a particular case may vary somewhat in light of the circumstances. For example, when determining whether the financial statements need revision, as required by paragraph ~~.74*b*~~***102*b**, the accountant may consider, in addition to the requirements of the applicable financial reporting framework, whether the accountant believes persons are currently using, or are likely to use, the financial statements and who would attach importance to the subsequently discovered facts. Consideration may be given, among other things, to the issuance of reviewed or audited financial statements for a subsequent period, the time elapsed since the financial statements were issued and the date of the accountant's review report released, and any legal implications. ~~.**A129**~~ *A148* The steps taken by management to ensure that anyone in receipt of the reviewed financial statements is informed of the situation, including that the reviewed financial statements are not to be used, depend on the circumstances. Management's steps may include the following: • Notify anyone who is known to be using, or who is likely to use, the financial statements and the accountant's review report that they are not to be used and that revised financial statements, together with a new accountant's review report,

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	will be issued. This may be necessary when the issuance of revised financial statements and a new accountant's review report is not imminent. • Issue, as soon as practicable, revised financial statements with appropriate disclosure of the matter. • Issue the subsequent period's financial statements with appropriate disclosure of the matter. This may be appropriate when issuance of the subsequent period's reviewed or audited financial statements is imminent.
.~~76~~ *103* If management revises the financial statements, the accountant should *a.* apply the requirements of paragraph ***.~~72~~100***. *b.* if the reviewed financial statements (before revision) have been made available to third parties, assess whether the steps taken by management are timely and appropriate to ensure that anyone in receipt of those financial statements is informed of the situation, including that the reviewed financial statements are not to be used. If management does not take the necessary steps, the accountant should apply the requirements of paragraph ***.~~76~~104***. (Ref: par. ***.~~A129~~A148***) *c.* if the accountant's conclusion on the revised financial statements differs from the accountant's conclusion on the original financial statements, disclose in an emphasis-of-matter paragraph, in accordance with paragraphs ***.~~52~~85–.~~53~~ 86*** i. the date of the accountant's previous report, ii. a description of the revisions, and iii. the substantive reasons for the revisions.	

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Introduction, Objectives, Definitions and Requirements	Application and Other Explanatory Material
.~~77~~ *104* If management does not revise the financial statements in circumstances when the accountant believes they need to be revised, then *a.* if the reviewed financial statements have not been made available to third parties, the accountant should notify management and those charged with governance, unless all of those charged with governance are involved in managing the entity, not to make the reviewed financial statements available to third parties before the necessary revisions have been made and a new accountant's review report on the revised financial statements has been provided. If the reviewed financial statements are, nevertheless, subsequently made available to third parties without the necessary revisions, the accountant should apply the requirements of paragraph ***.~~76b~~104*b. *b.* if the reviewed financial statements have been made available to third parties, the accountant should assess whether the steps taken by management are timely and appropriate to ensure that anyone in receipt of the reviewed financial statements is informed of the situation, including that the reviewed financial statements are not to be used. If management does not take the necessary steps, the accountant should apply the requirements of paragraph ***.~~77~~105***. (Ref: par. ~~.A127~~***A148***)	
.~~78~~ *105* If management does not take the necessary steps to ensure that anyone in receipt of the financial statements is informed of the situation, as provided by paragraph ***.~~75b~~ 103*b or paragraph ***.~~76b~~104*b, the accountant should notify management and those charged with governance, unless all of those charged with governance are involved in managing the entity, that the accountant will seek to prevent future use of the accountant's review report. If, despite such notification, management or those charged with governance do not take the necessary steps, the accountant should take appropriate action to seek to prevent use of the accountant's review report. (Ref: par. ~~.A130~~***A149*** – ~~.A133~~***A152***)	***.~~A130~~*** *A149* If management made the reviewed financial statements available to third parties despite the accountant's notification not to do so, or if the accountant believes that management or those charged with governance have failed to take the necessary steps to prevent use of the accountant's review report on the previously issued reviewed financial statements despite the accountant's prior notification that the accountant will take action to seek to prevent such use, the accountant's course of action depends upon the accountant's legal and ethical rights and obligations. Consequently, the accountant may consider it appropriate to seek legal advice.

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Introduction, Objectives, Definitions and Requirements	Application and Other Explanatory Material
	.~~A131~~ A150 The actions that the accountant may take to seek to prevent use of the accountant's review report may depend upon the degree of certainty of the accountant's knowledge that persons or entities exist who are currently using, or who will use, the reviewed financial statements, and who would attach importance to the information, and the accountant's ability as a practical matter to communicate with them. In addition to seeking legal advice, the accountant may consider taking the following steps to the extent applicable: • Notify management and those charged with governance that the accountant's review report is not to be used. • Notify regulatory agencies having jurisdiction over the entity that the accountant's review report is not to be used, including a request that the agency take whatever steps it may deem appropriate to accomplish the necessary disclosure. • Notify anyone known to the accountant to be using the financial statements that the accountant's review report is not to be used. In some instances, it will not be practicable for the accountant to give appropriate individual notification to stockholders or investors at large whose identities are unknown to the accountant; notification to a regulatory agency having jurisdiction over the entity will usually be the only practical means for the accountant to provide appropriate disclosure, together with a request that the agency take whatever steps it may deem appropriate to accomplish the necessary disclosure.
	.~~A132~~ A151 Depending on the circumstances, if the accountant is able to determine that the financial statements need revision, the accountant's notification to anyone in receipt of the reviewed

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	financial statements may, if permitted by law, regulation, and relevant ethical requirements • include a description of the nature of the matter and of its effect on the financial statements, avoiding comments concerning the conduct or motives of any person. • describe the effect that the matter would have had on the accountant's review report if it had been known to the accountant at the date of the report and had not been reflected in the financial statements. **.~~A133~~** *A152* If the accountant was not able to determine whether the financial statements need revision, the notification to anyone in receipt of the reviewed financial statements may indicate that information became known to the accountant and that, if the information is true, the accountant believes that the accountant's review report is not to be used. The specific matter may not be permitted by law, regulation, and ethical requirement to be detailed in the notification.
Reference to the Work of Other Accountants in an Accountant's Review Report	**Reference to the Work of Other Accountants in an Accountant's Review Report (Ref: par. .~~79~~*106*)**
.~~79~~*106* 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. .~~A131~~***A153***–.~~A133~~***A155***)	**.~~A131~~***A153* 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.

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	.~~A132~~ *A154* 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. **.~~A133~~** *A155* 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.
.~~80~~*107* 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	**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~~***108b***)**
.~~81~~*108* 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 determine the following***:*** a. 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.	

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b. 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. .~~A134~~***A156***)	.~~**A134**~~ *A156* 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 generally accepted auditing standards (GAAS) is sufficient to make the determination required by paragraph .~~79b~~***108b***. 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~~***109b***, 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), Engagements to Review Historical Financial Statements, 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.

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c. The other accountants understand the ethical requirements that are relevant to the engagement and, in particular, are independent. (Ref: par. .~~A135~~***A157***) *d.* 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.	.~~**A135**~~*A157* 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 Ethics Standards Board's 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	**Determining Whether to Make Reference When the Financial Reporting Framework Is Not the Same (Ref: par. .~~80b~~*109b*)**
.~~**82**~~*109* 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 the following apply: *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~~***A158***)	.~~**A136**~~*A158* 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 accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting

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	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.
Supplementary Information That Accompanies Reviewed Financial Statements and the Accountant's Review Report Thereon	**Supplementary Information That Accompanies Reviewed Financial Statements (Ref: par. .~~84~~*111*–.~~86~~*113*)**
.~~83~~–*110* When supplementary information accompanies reviewed financial statements and the accountant's review report thereon, the accountant should clearly indicate the degree of responsibility, if any, the accountant is taking with respect to such information in either *a.* an other-matter paragraph in the accountant's review report on the financial statements or *b.* a separate report on the supplementary information	
.~~84~~–*111* When the accountant has subjected the supplementary information to the review procedures applied in the accountant's review of the basic financial statements, the other-matter paragraph in the accountant's review report on the financial statements or the separate report on the supplementary information should state that (Ref: par. .~~A138~~-***A159*** and .~~A140~~***A161***) *a.* the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements; *b.* the supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements;	**.~~A138~~-***A159*** The following is an example of how an accountant may word an other-matter paragraph addressing supplementary information when the supplementary information has been subjected to the review procedures applied in the accountant's review of the basic financial statements: ***Other Matter*** The accompanying [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to

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c. the supplementary information has been subjected to the review procedures applied in the accountant's review of the basic financial statements and whether the accountant is aware of any material modifications that should be made to the supplementary information; and *d.* the accountant has not audited the supplementary information and does not express an opinion on such information.	prepare the financial statements. The supplementary information has been subjected to the review procedures applied in my (our) review of the basic financial statements. I am (We are) not aware of any material modifications that should be made to the supplementary information. I (We) have not audited the supplementary information and do not express an opinion on such information.
.~~85~~ *112* When the accountant has not subjected the supplementary information to the review procedures applied in the accountant's review of the basic financial statements, the other-matter paragraph in the accountant's review report on the financial statements or the separate report on the supplementary information should state that (Ref: par. ~~A139~~***A160*** – ~~A140~~***A161***) *a.* the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements; *b.* the supplementary information is the responsibility of management; and *c.* the accountant has not audited or reviewed the supplementary information and, accordingly, does not express an opinion, a conclusion, nor provide any assurance on such information.	**~~.A139~~** *A160* The following is an example of how an accountant may word an other-matter paragraph addressing supplementary information when the supplementary information has not been subjected to the review procedures applied in the review of the basic financial statements: ***Other Matter*** The accompanying [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. I (We) have not audited or reviewed such information and I (we) do not express an opinion, a conclusion, nor provide any assurance on it.
	~~.A140~~ *A161* Supplementary information may become unattached from the accountant's review report. To minimize the possibility that a user of the supplementary information may infer, through the accountant's association with such information, an unintended level of reliance on it, the accountant may consider including a reference to the accountant's review report on each page of the supplementary information. An example of a reference to the accountant's review report included on each page of the supplementary information is "See independent accountant's review report."

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Required Supplementary Information	**Required Supplementary Information (Ref: par. .~~86~~*113*–.~~87~~*114*)**
.~~86~~ *113* Concerning the requirement in paragraph .~~83~~***110***, with respect to required supplementary information, the accountant should include an other-matter paragraph in the accountant's review report on the financial statements. The other-matter paragraph should include language to explain the following circumstances, as applicable: (Ref: par. .~~A141~~***A162***) *a.* The required supplementary information is included, and the accountant performed a compilation engagement on the required supplementary information. *b.* The required supplementary information is included, and the accountant reviewed the required supplementary information. *c.* The required supplementary information is included, and the accountant did not perform a compilation, review, or audit on the required supplementary information. *d.* The required supplementary information is omitted. *e.* Some required supplementary information is missing, and some is presented in accordance with the prescribed guidelines (Ref: par. .~~A142~~***A163***) *f.* The accountant has identified departures from the prescribed guidelines. *g.* The accountant has unresolved doubts about whether the required supplementary information is presented in accordance with prescribed guidelines.	**.~~A141~~** *A162* Examples of required supplementary information that may accompany reviewed financial statements include the following: • With respect to common interest realty associations, estimates of current or future costs of major repairs and replacements of common property that will be required in the future as required by FASB *Accounting Standards Codification* 972-235-50-3 • Management's discussion and analysis and budgetary comparison statements as required by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* **.~~A142~~** *A163 Prescribed guidelines* are the authoritative guidelines established by the designated accounting standard-setter for the methods of measurement and presentation of the required supplementary information.
.~~87~~ *114* If the entity has presented all or some of the required supplementary information and the accountant did not perform a compilation or review on the required supplementary information, the other-matter paragraph referred to in	**.~~A143~~** *A164* Because the required supplementary information accompanies the basic financial statements, the accountant's review report on the financial statements includes a discussion of the

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paragraph .~~83~~ ***110*** should include the following elements: (Ref: par. .~~A143~~***A164***) *a.* A statement that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] require that the [*identify the required supplementary information*] be presented to supplement the basic financial statements *b.* A statement that such information, although not a part of the basic financial statements, is required by [*identify designated accounting standards-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context *c.* A statement that the accountant did not perform a compilation, review, or audit on the required supplementary information and does not express an opinion or provide any assurance on the information *d.* If some of the required supplementary information is omitted i. a statement that management has omitted [*description of the missing required supplementary information*] that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] require to be presented to supplement the basic financial statements ii. a statement that such missing information, although not a part of the basic financial statements, is required by [*identify designated accounting standards-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context	responsibility taken by the accountant on that information. However, if the required supplementary information is omitted by the entity, the accountant does not have a responsibility to present that information.

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e. If the measurement or presentation of the required supplementary information departs materially from the prescribed guidelines, a statement that material departures from prescribed guidelines exist [*describe the material departures from the applicable financial reporting framework*] *f.* If the accountant has unresolved doubts about whether the required supplementary information is measured or presented in accordance with prescribed guidelines, a statement that the accountant has doubts about whether material modifications should be made to the required supplementary information for it to be presented in accordance with guidelines established by [*identify designated accounting standards-setter*]	
.~~89~~ *115* If all the required supplementary information is omitted, the other-matter paragraph should include the following elements: *a.* A statement that management has omitted [*description of the missing required supplementary information*] that [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)*] require to be presented to supplement the basic financial statements *b.* A statement that such missing information, although not a part of the basic financial statements, is required by [*identify designated accounting standards-setter*], who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context	
Change in Engagement From Audit to Review	**Change in Engagement From Audit to Review (Ref: par. .~~89~~*116*)**
.~~89~~ *116* If the accountant, who was engaged to perform an audit engagement in accordance with generally accepted auditing standards, has been requested to change the engagement to a review engagement, the accountant should	**.~~A144~~** *A165* A request to change the engagement may result from a change in circumstances affecting the entity's requirement for an audit engagement; a misunderstanding regarding the nature of an audit or review engagement; or a restriction on the scope of the audit

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consider the following before deciding whether to agree to the change: (Ref: par. .~~A144~~***A165***–.~~A145~~***A166***) *a.* The reason given for the request, particularly the implications of a restriction on the scope of the audit engagement, whether imposed by management or by circumstances (Ref: par. .~~A146~~***A167***) *b.* The additional audit effort required to complete the audit engagement *c.* The estimated additional cost to complete the audit engagement	engagement, whether imposed by management or caused by circumstances. **.~~A145~~** *A166* A change in circumstances that affects the entity's requirement for an audit engagement or a misunderstanding concerning the nature of an audit or review engagement would ordinarily be considered a reasonable basis for requesting a change in the engagement. **.~~A146~~** *A167* The implications of a restriction on the scope of the audit engagement include the possibility that information affected by the scope restriction may be incorrect, incomplete, or otherwise unsatisfactory.
.~~90~~ *117* In all circumstances, if the audit procedures are substantially complete or the cost to complete such procedures is relatively insignificant, the accountant should consider the propriety of accepting a change in the engagement.	
.~~91~~ *118* If the accountant concludes, based upon the accountant's professional judgment, that reasonable justification exists to change the engagement, and if the accountant complies with the standards applicable to a review engagement, the accountant should issue an appropriate review report.	
.~~92~~ *119* The report should not include reference to *a.* the original engagement, *b.* any audit procedures that may have been performed, or *c.* scope limitations that resulted in the changed engagement.	
.~~93~~ *120* When the accountant has been engaged to audit an entity's financial statements and management refuses to allow the accountant to correspond with	

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the entity's legal counsel, the accountant, except in rare circumstances, is precluded from accepting an engagement to review those financial statements.	
Review Documentation	**Review Documentation (Ref: par. .~~94~~*121*)**
.~~94~~ *121* ***The preparation of documentation for the review provides evidence that the review was performed in accordance with SSARSs and a sufficient and appropriate record of the basis for the accountant's report.*** The accountant should ***document the following aspects of the engagement in a timely manner,*** ~~prepare review documentation that is~~ sufficient to enable an experienced accountant, having no previous connection to the review, to understand (Ref: par. ~~.A147~~***A168*** ~~-~~ ~~.A151~~***A172***) *a.* the nature, timing, and extent of the review procedures performed to comply with SSARSs; *b.* the ~~results~~ ***review evidence obtained*** ~~of~~ ***from*** the review procedures performed and the ~~review evidence obtained~~ ***and the accountant's conclusions formed on the basis of that review evidence***; and *c.* significant ~~findings or issues~~ ***matters*** arising during the review, the ***accountant's*** conclusions reached thereon, and significant professional judgments made in reaching those conclusions.	**.~~A147~~** *A168* Review documentation may be recorded on paper or on electronic or other media. **.~~A148~~** *A169* The accountant need not include in review documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents. **.~~A149~~** *A170* The accountant is not precluded from supporting the review report by other means in addition to the review documentation. Such other means might include written documentation contained in other engagement files (for example, compilation or nonattest services) or quality control files (for example, consultation files) and, in limited situations, oral explanations. On their own, oral explanations by the accountant do not represent adequate support for the work the accountant performed or conclusions reached, but they may be used to explain or clarify information contained in the review documentation. **.~~A150~~** *A171* In the case of a review in which the engagement partner performs all the review work, the engagement partner is still required to comply with the overriding requirement in paragraph .~~91~~ ***121*** to prepare review documentation that can be understood by an experienced accountant because the review documentation may be subject to review by external parties. **.~~A151~~** *A172* Findings or issues that, in the accountant's professional judgment, are significant may include the results of review

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	procedures that indicate that the financial statements could be materially misstated, including actions taken to address such findings and the basis for the final conclusions.
.~~95~~ *122* In addition to the requirements in paragraph .~~91~~***121***, the review documentation should include the following: *a.* The engagement letter or other suitable form of written documentation with management, as described in paragraphs .~~11~~***17***–.~~12~~ ***18*** (Ref: par. .A20 and .A22) ~~*b.* Communications to management and others regarding fraud or noncompliance with laws and regulations as required by paragraph .51~~ ~~*c*~~**b**. Communications with management regarding the accountant's expectation to include an emphasis-of-matter or other-matter paragraph in the accountant's review report as required by paragraph .~~55~~ ***88*** ~~*d*~~c. ***Communications with management, those charged with governance, and others as relevant to the performance of the review of significant matters arising during the engagement, including the nature of those matters.*** ***d.*** Communications with other accountants that have audited or reviewed the financial statements of significant components as required by paragraph .~~79~~ ***106*** ***e. If, in the course of the engagement, the accountant identified information that is inconsistent with the accountant's findings regarding significant matters affecting the financial statements, how the inconsistency was addressed.***	

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~~e~~**f**. The representation letter ~~f~~**g**. A copy of the reviewed financial statements and the accountant's review report thereon	
.123 ***In documenting the nature, timing and extent of procedures performed as required in this section, the accountant should record:*** ***(a) Who performed the work and the date such work was completed; and*** ***(b) Who reviewed the work performed for the purpose of quality control for the engagement, and the date and extent of the review.***	