



## Agenda Item 1B (9)

### Q10 - Restatements of previously issued financial statements

| Hierarchical Name | Respondent       | Response  | Comments |
|-------------------|------------------|---|----------|
| Nodes\\Q10        | 02 - Alpres Shah | <p>Absolutely, I am in agreement with this proposal. The basic premise of the review engagement is that the accountants provide limited "Assurance" on the financial statements maintaining AICPA independence. Considering this fact, if we do not make the correction of a material misstatement in previously issued financial statements explicit in the accountant's report using an "Emphasis-of-Matter" paragraph, how do we justify the following language in the review report?:</p> <p>""Based on my (our) review, 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 accounting principles generally accepted in the United States of America."</p> |          |
| Nodes\\Q10        | 03 - Carr Riggs  | <p>CRI supports including explicit reporting requirements and guidance with respect to correction of a material misstatement in previously issued financial statements. AR-</p>   |          |

| Hierarchical Name | Respondent | Response | Comments |
|-------------------|------------|----------|----------|
|-------------------|------------|----------|----------|

|            |              |  |  |
|------------|--------------|--|--|
|            |              | <p>C 90.49 does require the accountant to include an emphasis of matter paragraph in situations where a change is made to prior period financial statements due to a departure from the applicable reporting framework. We believe the logic behind this requirement is also applicable in situations requiring a prior period adjustment due to material misstatement. We also believe this type of emphasis of matter reporting is in the public interest.</p> |  |
| Nodes\\Q10 | 05 - NYSSCPA | <p>The prior year balances should be restated and disclosed when comparative financial statements are presented and there is a correction of a material misstatement in previously issued financial statements. With respect to issuing single year financial statements, we find it appropriate to adjust the opening balance(s) and disclose accordingly. We believe an emphasis of matter paragraph should be included in either case.</p>                    |  |
| Nodes\\Q10 | 06 - CLA     | <p>We believe providing explicit guidance and reporting requirements in this area would provide better clarity for users of financial statements and consistency between professional standards. This would also align well with the proposed revisions to require the accountant to determine materiality for the financial statements as a whole.</p>  |  |
| Nodes\\Q10 | 07 - NASBA   | <p>We do believe it is in the public interest that AR-C section 90 be revised to include explicit reporting requirements and guidance with respect to correction of a material</p>   |  |

| Hierarchical Name | Respondent | Response | Comments |
|-------------------|------------|----------|----------|
|-------------------|------------|----------|----------|

|            |                   |  |  |
|------------|-------------------|--|--|
|            |                   | <p>misstatement in previously issued financial statements.</p> <p>We support the proposed requirements and associated guidance and believe it appropriate that the requirements and guidance be consistent with AU-C section 708.</p>  |  |
| Nodes\\Q10 | 08 - Michigan OAG | <p>We are supportive of revisions to AR-C section 90 to include explicit reporting requirements and guidance regarding the correction of a material misstatement in previously issued financial statements. It seems that such guidance would be helpful to users of those financial statements to understand that material misstatements occurred in those prior periods.</p>       |  |
| Nodes\\Q10 | 09 - ICPAS        | <p>The Committee believes the additional requirement to include an emphasis of matter paragraph in the accountant's review report describing a material prior period adjustment to a previously issued financial statement is appropriate and will improve the reliability of financial statements. Additionally, the Committee believes the application guidance is sufficient.</p> |  |
| Nodes\\Q10 | 10 - Crowe LLP    | <p>As noted in the proposed SSARS, auditing standards require an emphasis-of-matter paragraph in the auditor's report when previously issued financial statements have been restated to correct a material misstatement. Thus, we believe the proposed explicit reporting requirement for a review engagement to include a similar paragraph is appropriate</p>                      |  |

| Hierarchical Name | Respondent | Response | Comments |
|-------------------|------------|----------|----------|
|-------------------|------------|----------|----------|

|            |                 |   |  |
|------------|-----------------|---|--|
| Nodes\\Q10 | 11 - KPMG LLP   | <p>and will be understandable to financial statement users.<br/>Further, we find that the application guidance and example wording provided are appropriate.</p> <p>We believe AR-C section 90 should be revised to include an explicit reporting requirement and guidance with respect to corrections of a material misstatement in previously issued financial statements. We believe the requirements and associated application guidance in AU-C 708, Consistency of Financial Statements, to (1) evaluate consistency between periods and (2) when a correction of a material misstatement in previously issued financial statements is identified to inform users of the financial statements through an emphasis of the matter paragraph is appropriate to include in AR-C 90.</p> |  |
| Nodes\\Q10 | 12 - NSAA       | <p>We are supportive of revisions to AR-C section 90 to include explicit reporting requirements and guidance regarding the correction of a material misstatement in previously issued financial statements. We believe the proposed requirements and application guidance are appropriate.</p>  |  |
| Nodes\\Q10 | 13 - TIC        | <p>TIC believes AR-C 90 should include reporting requirements and guidance in reporting a correction of a material misstatement in previously issued financial statements.</p>  |  |
| Nodes\\Q10 | 14 - RSM US LLP | <p>We agree that AR-C section 90 should be revised to include reporting requirements and application guidance to address the situation when there are adjustments to correct a</p>  |  |

Summary of comments on restatements of previously issued financial statements – October 2019  
ARSC Meeting, October 23, 2019

| Hierarchical Name | Respondent | Response | Comments |
|-------------------|------------|----------|----------|
|-------------------|------------|----------|----------|

|  |  |  |  |
|--|--|--|--|
|  |  | <p>material misstatement in previously issued financial statements. We agree that such requirements and application guidance should be consistent with paragraphs AU-C 708.13–.15 and .A12–.A14.</p> |  |
|--|--|--|--|

|            |               |  |  |
|------------|---------------|--|--|
| Nodes\\Q10 | 15 - SVA CPAs | <p>The ARSC also requested comments on whether it should revise AR-C section 90 to require an emphasis of matter paragraph in the independent accountant’s review report when there are corrections of a material misstatement in previously issued financial statements. We believe such a requirement is in the public interest and will offer consistency in reporting. The proposed revision and associated application guidance is appropriate.</p> |  |
|------------|---------------|--|--|

|            |                  |  |  |
|------------|------------------|--|--|
| Nodes\\Q10 | 16 - Baker Tilly | <p>We believe that it is in the public interest to include an emphasis-of-matter paragraph in the accountant’s report related to the correction of material misstatements in previously issued financial statements, therefore, we believe that AR-C section 90 should be revised to include such an explicit reporting requirement. Further, we believe that the example requirements and associated application guidance included in the exposure draft are appropriate.</p> |  |
|------------|------------------|--|--|

|            |                      |   |  |
|------------|----------------------|---|--|
| Nodes\\Q10 | 18 - Navolio Tallman | <p>We are supportive of revising the standards to include explicit reporting requirements and guidance with respect to correction of a material misstatement in previously issued financial statements and believe that the suggested requirements and associated application guidance are appropriate.</p> |  |
|------------|----------------------|---|--|

Summary of comments on restatements of previously issued financial statements – October 2019  
ARSC Meeting, October 23, 2019

| Hierarchical Name                                  | Respondent          | Response  | Comments |
|--|---------------------|---|----------|
| Nodes\\Q10   | 20 - VSCPA          | We believe AR-C section 90 should be revised as proposed to include explicit reporting requirements and guidance with respect to correction of a material misstatement in previously issued financial statements. Such guidance would increase consistency in reporting between review and audit engagements.   |          |
| Nodes\\Q10   | 21 - Deloitte       | D&T agrees AR-C 90 should be revised to include explicit reporting requirements and guidance with respect to correction of a material misstatement in previously issued financial statements. The requirements and guidance from AU-C 708 seem appropriate to follow.   |          |
| Nodes\\Q10   | 22 - FICPA          | The Committee agrees with the proposal that AR-C section 90 should be revised to include explicit reporting requirements and guidance with respect to correction of a material misstatement in previously issued financial statements. We also believe the requirements and associated application guidance is appropriate.                               |          |
| Nodes\\Q10\Q10 - Agree - with additional revisions | 19 - Grant Thornton | We believe AR-C section 90 should be revised to include explicit reporting requirements and guidance with respect to the correction of a material misstatement in previously issued financial statements. We believe this requirement is important, even when the accountant's review report focuses on single-year financial statements. Accordingly, we |          |

| Hierarchical Name | Respondent | Response | Comments |
|-------------------|------------|----------|----------|
|-------------------|------------|----------|----------|

|  |                        |  |  |
|--|------------------------|--|--|
|  |                        | <p>recommend the ASRC clarify that these reporting requirements also apply to an accountant’s review report on single-year financial statements.</p> <p>Further, as consistency issues can relate to more than just misstatements (for example, adopting a significant accounting standard), we recommend that the ARSC consider adding a requirement to include a “consistency” other matter paragraph, similar to those paragraphs that appear in the Statements on Auditing</p> |  |
| <p>Nodes\\Q10\Q10 - Request to consider revising AR-C section 80</p> | <p>03 - Carr Riggs</p> | <p>Additionally, AR-C section 80 does not specifically address reporting requirements in compilation engagements for comparative financial statements related to corrections made to previously issued financial statements for any reason. CRI also recommends that ARSC consider adding reporting requirements for compilations to AR-C section 80 for corrections made to previously issued financial statements.</p>   |  |