

## AR-C Section 90

### *Review of Financial Statements*

**Source:** SSARS No. 21; SSARS No. 23; SSARS No. 24; SSARS No. 25.

**Effective for reviews of financial statements for periods ending on or after December 15, 2015, unless otherwise indicated.**

#### Introduction

#### Scope and Applicability of This Section

**.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 information. Reviews of pro forma financial information are to be performed in accordance with Statements on Standards for Attestation Engagements. (Ref: par. .A1–.A3) [As amended, effective October 2016, by SSARS No. 23.]

**.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 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Effective Date

.06 This section is effective for reviews of financial statements for periods ending on or after December 15, 2015. Early implementation is permitted. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Objectives

.07 In conducting a review of financial statements, the objectives of the accountant 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 and (Ref: par. .A4)
- b. report on the financial statements as a whole and communicate, as required by this section.

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Definitions

.08 For purposes of Statements on Standards for Accounting and Review Services (SSARs), 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.

**Emphasis-of-matter paragraph.** A paragraph included in the accountant's review report that is required by SSARs, 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. SSARs 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 SSARs means generally accepted accounting principles promulgated by bodies designated by the Council of the AICPA pursuant to the "Compliance 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 within or outside the entity.

**Limited assurance.** A level of assurance that is less than the reasonable assurance obtained in an audit engagement but is at an acceptable level as the basis for the conclusion expressed in the accountant's review report. (Ref: par. .A10)

**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.

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 SSARs, 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. 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;
- if so confined, represent or could represent a substantial portion of the financial statements; or
- with regard to 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. .A11)

**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).

**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. .A13–A14)

**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.

[As amended, effective October 2016, by SSARS No. 23. As amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Requirements

### General Principles for Performing and Reporting on Review Engagements

.09 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*. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### Independence

.10 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. .A15–.A16) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### Professional Skepticism

.11 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. .A17–.A21) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### Acceptance and Continuance of Client Relationships and Review Engagements

.12 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. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

.13 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 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. .A22)
  - 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 that contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP; (Ref: par. .A126)

- 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. 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.
  - 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. .A23)

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.14** If the accountant is not satisfied about any of the matters set out in paragraph .26 of section 60 or paragraph .13 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. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**.15** If it is discovered after the engagement has been accepted that the accountant is not satisfied regarding any of the preconditions in paragraph .26 of section 60 or paragraph .13 of this section, the accountant should discuss the matter with management or those charged with governance and should determine the following:

- a. Whether the matter can be resolved
- b. Whether it is appropriate to continue with the engagement
- c. Whether and how to communicate the matter in the accountant's report

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Agreement on Engagement Terms

**.16** 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. .A24–.A29)

- a. The objectives of the engagement
- b. The responsibilities of management set forth in paragraph .26b of section 60 and paragraph .13 of this section
- c. The responsibilities of the accountant

- d. The limitations of a review engagement, including a statement that a review is substantially less in scope than 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

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.17** 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. .A25)

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Communication With Management and Those Charged With Governance

**.18** 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. .A30–.A36) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Performing the Engagement

### Materiality in a Review of Financial Statements

**.19** The accountant should determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and evaluating the results obtained from those procedures. (Ref: par. .A37–.A40) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.20** The accountant should revise materiality for the financial statements as a whole if the accountant becomes aware of information during the review that would have caused the accountant to have determined a different amount initially. (Ref: par. .A41) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Understanding of the Industry

**.21** 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. .A42) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Knowledge of the Entity

**.22** 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

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. .A43–.A44) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**.23** 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. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Designing and Performing Review Procedures

**.24** The accountant should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to obtain sufficient appropriate review evidence 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. .A45)

- a. understanding of the industry,
- b. knowledge of the entity, and
- c. awareness of the risk that the accountant may unknowingly issue an inappropriate accountant's review report. (Ref: par. .A46)

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.25** In obtaining sufficient appropriate review evidence as the basis for a conclusion on the financial statements as a whole, the accountant should design and perform the analytical procedures and inquiries to address the following: (Ref: par. .A47)

- a. All material items in the financial statements, including disclosures
- b. Areas in the financial statements where the accountant believes there are increased risks of material misstatements

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Analytical Procedures

**.26** 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. .A48–.A50)

- 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
- b. Considering plausible relationships among both financial and, when relevant, nonfinancial information (Ref: par. .A51)
- 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. .A52)
- d. Comparing disaggregated revenue data, as applicable (Ref: par. .A53)

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**.27** When designing and performing analytical procedures, the accountant should (Ref: par. .A54)

- 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 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 .28 and compare the recorded amounts, or ratios developed from recorded amounts, with the expectations.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Investigating Results of Analytical Procedures***

**.28** 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. .A55)

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### **Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters**

**.29** 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. .A56)

- a. whether the financial statements have been prepared and fairly presented in accordance with the applicable financial reporting

framework consistently applied, including how management 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
- c.* whether there are significant, unusual, or complex transactions, events, or matters that have affected or may affect the entity's financial statements, including the following: (Ref: par. .A57)
  - 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 were recorded subsequent to the periods covered by the prior review and, if adjustments were recorded, the amounts recorded and period in which such adjustments were recorded)
  - vi.* Effects or possible implications for the entity of transactions or relationships with related parties
- d.* matters about which questions have arisen in the course of applying the review procedures.
- e.* the existence of any actual, suspected, or alleged
  - i.* fraud or noncompliance with laws and regulations affecting the entity and (Ref: par. .A58)
  - ii.* noncompliance 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 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 nonmonetary transactions or transactions for no consideration in the financial reporting period under consideration.
- k.* communications from regulatory agencies, if applicable.

- 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.
- 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. .A59)
- n.* any other matters that the accountant may consider necessary.

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.30** 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 evidence. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Reading the Financial Statements

**.31** 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. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Procedures to Address Specific Circumstances

### *Related Parties*

**.32** During the review, the accountant should remain alert for arrangements or information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the accountant. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.33** If the accountant identifies significant transactions outside the entity's normal course of business when performing the review procedure required by paragraph .32 or through other review procedures, the accountant should inquire of management about the following:

- a.* The nature of these transactions (Ref: par. .A60)
- b.* Whether related parties could be involved

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### *Fraud and Noncompliance With Laws or Regulations*

**.34** When there is an indication that fraud or noncompliance with laws or regulations has occurred, or is suspected to have occurred, the effects of which should be considered when preparing financial statements, the accountant should do the following:

- 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.

- b.* Communicate to management identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements, other than matters that are clearly inconsequential. (Ref: par. .A61)
- c.* Request management's assessment of the effects, 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 the accountant on the accountant's conclusion on the financial statements and on the accountant's report.
- 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. .A62)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.35** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.36** The accountant should consider the need to obtain legal advice and take appropriate action, including potential withdrawal, if management or, as appropriate, those charged with governance do not provide sufficient information that supports either of the following: (Ref: par. .A63)

- a.* The financial statements are not materially misstated due to fraud.
- 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.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### **Going Concern**

**.37** 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. .A64–.A65)

- a.* Whether the going concern basis of accounting is appropriate
- b.* Management's evaluation of whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern
- c.* If there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, management's plans to mitigate those matters
- d.* The adequacy of the related disclosures in the financial statements

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.38** 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. .A66–.A67)

- a. Inquire of management whether the going concern basis of accounting is appropriate.
- b. Inquire of management about its plans for addressing the adverse effects of the conditions and events. (Ref: par. .A68)
- c. Consider the adequacy of the disclosure about such matters in the financial statements. (Ref: par. .A69)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Using the Work of Others

**.39** 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 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.40** 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. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Reconciling the Financial Statements to the Underlying Accounting Records

**.41** The accountant should obtain evidence that the financial statements agree or reconcile with the accounting records. (Ref: par. .A70) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Additional Procedures When the Accountant Becomes Aware That the Financial Statements May Be Materially Misstated

**.42** If the accountant becomes aware of a matter or matters that cause 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. .A71–.A75)

- a. conclude that the matter or matters are not likely to cause the financial statements as a whole to be materially misstated or
- b. determine that the matter or matters cause the financial statements as a whole to be materially misstated.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Evaluating Review Evidence Obtained From the Procedures Performed

[.43–.44] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

**.45** 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

- 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.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

[.46] [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

**.47** The accountant should evaluate whether sufficient appropriate review evidence has been obtained from the procedures performed and, if sufficient appropriate review evidence has not been obtained from the procedures performed, the accountant should perform other procedures that, in the accountant's professional judgment, are necessary in the circumstances to be able to form a conclusion on the financial statements. (Ref: par. .A78) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.48** If the accountant is not able to obtain sufficient appropriate review evidence to form a conclusion, the accountant should withdraw from the engagement. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Subsequent Events and Subsequently Discovered Facts

### *Subsequent Events*

**.49** 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. .A79) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.50** 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 .69–.72. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

***Subsequently Discovered Facts That Become Known to the Accountant Before the Report Release Date***

.51 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 revision is needed, inquire how management intends to address the matter in the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.52 If management revises the financial statements, the accountant should perform the review procedures necessary in the circumstances on the revision. The accountant should also do either of the following:

- a. Date the accountant's review report as of a later date.
- 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 described in the relevant note to the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.53 If management does not revise the financial statements in circumstances in which the accountant believes they need to be revised, the accountant should modify the accountant's review report or withdraw, as appropriate. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

***Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date***

.54 If a subsequently discovered fact becomes known to the accountant after the report release date, the accountant should (Ref: par. .A80–.A81)

- a. discuss the matter with management and, when appropriate, those charged with governance and
- b. determine whether the financial statements need revision and, if revision is needed, inquire how management intends to address the matter in the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.55 If management revises the financial statements, the accountant should do the following:

- a. Apply the requirements of paragraph .52.
- 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 .56. (Ref: par. .A82)

- 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.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.56** If management does not revise the financial statements in circumstances in which the accountant believes they need to be revised, then the accountant should do the following:

- a. If the reviewed financial statements have not been made available to third parties, 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 .56b.
- b. If the reviewed financial statements 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 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 .57. (Ref: par. .A81)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.57** 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 .55b or paragraph .56b, 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. .A83–.A86) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Written Representations

### *Written Representations as Review Evidence*

**.58** *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. .A87) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### *Management From Whom Written Representations Are Requested*

**.59** 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. .A88–.A90) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### *Specific Written Representations*

**.60** 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 and that indicate that it has fulfilled its responsibilities, as set out in the terms of the engagement, including the following: (Ref: par. .A91–.A97)

- a. Management has fulfilled its responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- b. Management acknowledges its responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements, including its responsibility to prevent and detect fraud.
- c. All transactions have been recorded and are reflected in the financial statements.
- d. Management has provided the accountant with all relevant information and access to information, as agreed upon in the terms of the engagement.
- e. Management has responded fully and truthfully to all of the accountant's inquiries
- f. Management has disclosed to the accountant the identity of the entity's related parties and all the related party relationships and transactions of which it is aware, and it has appropriately accounted for and disclosed such relationships and transactions.
- g. Management has disclosed to the accountant significant facts relating to any fraud or suspected fraud known to management that may have 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.
- h. Management has disclosed to the accountant significant facts relating to any allegations of fraud or suspected fraud known to

management that may have affected the entity's financial statements communicated by employees, former employees, regulators, or others.

- i.* Management has disclosed to the accountant all known actual or possible instances of 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 the use of the going concern assumption in the financial statements.
- k.* 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, and it has made the necessary adjustments or disclosures.
- l.* 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.
- m.* 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.
- n.* Management has disclosed to the accountant whether it believes that significant assumptions it used in making accounting estimates are reasonable.

[As amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.61** If, in addition to the representations required by paragraph .60, the accountant determines that it is necessary to obtain one or more written representations to support other review evidence relevant to the financial statements, the accountant should request such other written representations. (Ref: par. .A98) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Form of Written Representations***

**.62** The written representations should be in the form of a representation letter addressed to the accountant. (Ref: par. .A99–.A100) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Concerns About the Reliability of Written Representations and Requested Written Representations Not Provided***

**.63** If, in relation to the written representations required by paragraphs .60–.61

- a.* management does not provide the written representations, or
- 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. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

## Forming the Accountant's Conclusion on the Financial Statements

### *Consideration of the Applicable Financial Reporting Framework in Relation to the Financial Statements*

.64 In forming the conclusion on the financial statements, the accountant should do the following:

- a. Evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework. (Ref: par. .A101–.A102)
- 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;
  - 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.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.65 The accountant should consider the impact of the following:

- 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
- b. Qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments (Ref: par. .A103–.A104)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.66 The accountant's consideration should also include the following:

- a. The overall presentation, structure, and content of the financial statements

- b. Whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (Ref: par. .A105)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Form of the Conclusion

### *Unmodified Conclusion*

**.67** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.68** When the accountant expresses an unmodified conclusion, the accountant should, unless required by law or regulation, use the following language:

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]*.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### *Modified Conclusion*

**.69** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.70** When the accountant modifies the conclusion expressed on the financial statements, the accountant should do the following:

- a. Use the heading "Qualified Conclusion" or "Adverse Conclusion," as appropriate, for the conclusion paragraph in the accountant's review report.
- 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*).

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### *Financial Statements Are Materially Misstated*

**.71** If the accountant, having obtained sufficient appropriate review evidence, determines, or is otherwise aware, that the financial statements are materially misstated, the accountant should express one of the following: (Ref: par. .A106)

- a. A qualified conclusion, when the accountant concludes that the effects of the matter or matters giving rise to the modification are material but not pervasive to the financial statements
- b. An adverse conclusion, when the effects of the matter or matters giving rise to the modification are both material and pervasive to the financial statements

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.72** When the accountant expresses a qualified conclusion on the financial statements because of a material misstatement, the accountant should, unless otherwise required by law or regulation, use the following language:

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]*.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.73** When the accountant expresses an adverse conclusion on the financial statements, the accountant should, unless otherwise required by law or regulation, use the following language:

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 in accordance with *[the applicable financial reporting framework]*.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.74** 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 do the following:

- 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 a 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.
- c. Describe the nature of omitted information if the material misstatement relates to the nondisclosure of information required to be disclosed. The accountant should include the omitted disclosures when practicable to do so.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Reporting on the Financial Statements

**.75** The accountant's review report should be in writing. (Ref: par. .A107–.A109) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### **Accountant's Review Report**

**.76** The written review report should include the following: (Ref: par. .A123)

- 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. .A110)
- b. An addressee, based on the circumstances of the engagement. (Ref: par. .A111)
- c. An introductory paragraph that (Ref: par. .A112–.A114)
  - i. identifies the entity whose financial statements have been reviewed,
  - ii. states that the financial statements identified in the report were reviewed,
  - iii. identifies the financial statements,
  - iv. specifies the date or period covered by each financial statement,
  - v. includes a statement that a review includes primarily applying analytical procedures to management's (owner's) financial data and making inquiries of company management (owners), and
  - vi. includes a statement that a review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole, and that, accordingly, the accountant does not express such an opinion.
- d. A section with the heading "Management's Responsibility for the Financial Statements" that includes an explanation that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. (Ref: par. .A115)
- e. A section with the heading "Accountant's Responsibility" that includes the following statements:
  - i. The accountant's responsibility is to conduct the review engagement in accordance with SSARSs promulgated by the Accounting and Review Services Committee of the AICPA. The accountant's review report should also explain that those standards require that the accountant perform the procedures to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework. (Ref: par. .A116–.A118)

- ii. The accountant believes that the results of the accountant's procedures provide a reasonable basis for the accountant's conclusion.
  - iii. The accountant is required to be independent of the entity and to meet the accountant's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the review.
- f. A concluding section with an appropriate heading that includes the accountant's conclusion on the financial statements in accordance with paragraphs .67–.74, as appropriate, and that identifies the country of origin of the financial reporting framework, if applicable
- 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 .69–.74, as appropriate, and
  - ii. a paragraph, under an appropriate heading, that provides a description of the matter or matters giving rise to the modification (Ref: par. .A119)
- h. The signature of the accountant or the accountant's firm.
- i. The city and state where the accountant practices. (Ref: par. .A120)
- j. 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
  - i. all the statements that the financial statements comprise, including the related notes, have been prepared and
  - ii. management has asserted that it has taken responsibility for those financial statements. (Ref: par. .A121–.A122)

[As amended, effective October 2016, by SSARS No. 23. As amended, effective May 2018, by SSARS No. 24. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### **Accountant's Review Report on Financial Statements Prepared in Accordance With a Special Purpose Framework**

**.77** 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. .A126)
- b. a summary of significant accounting policies.
- c. an adequate description about how the special purpose framework differs from GAAP. The effects of these differences need not be quantified. (Ref: par. .A127)
- d. 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. .A128)

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**.78** 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. [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.79** 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 statements should also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.80** 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. .A130–.A131)

- 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 should also state that, as a result, the financial statements may not be suitable for another purpose. [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.81** If the special purpose financial statements are prepared in accordance with the contractual basis of accounting, the accountant's review report should include, in accordance with paragraph .104, an other-matter paragraph, under an appropriate heading, that, in accordance with paragraphs .106–.109, restricts the use of the accountant's review report (Ref: par. .A132) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Comparative Financial Statements

**.82** 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. .A133–.A134) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**Updating the Report**

**.83** 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. .A135) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**.84** 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. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**.85** 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. [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**Changed Reference to a Departure From the Applicable Financial Reporting Framework**

**.86** 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. .A136)

- 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.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**Reporting When One Period Is Audited**

**.87** 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.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**[.88]** [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

## Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report

### *Emphasis-of-Matter Paragraphs in the Accountant's Review Report*

**.89** 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 the accountant is not aware of any material modifications that should be made to the financial statements with respect to such matter. Such a paragraph should refer only to information presented or disclosed in the financial statements. (Ref: par. .A141–.A143) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.90** When the accountant includes an emphasis-of-matter paragraph in the accountant's review report, the accountant should do the following:

- a. Include the paragraph within a separate section of the accountant's report with the heading "Emphasis of a Matter" or other appropriate heading. (Ref: par. .A144–.A145)
- b. 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. The paragraph should refer only to information presented or disclosed in the financial statements.
- c. Indicate that the accountant's conclusion is not modified with respect to the matter emphasized. (Ref: par. .A146)

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### *Other-Matter Paragraphs in the Accountant's Review Report*

**.91** 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 include an other-matter paragraph in the accountant's review report. [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.92** When the accountant includes an other-matter paragraph in the accountant's review report, the accountant should include the paragraph within a separate section with the heading "Other Matter" or other appropriate heading. (Ref: par. .A141, .A144, and .A147–.A149) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### *Communication With Management*

**.93** 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. .A150–.A151) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Correction of a Material Misstatement in Previously Issued Financial Statements***

**.94** The accountant should include an emphasis-of-matter paragraph in the accountant's review report when there are adjustments to correct a material misstatement in previously issued financial statements. The accountant should include this type of emphasis-of-matter paragraph in the accountant's review report when the related financial statements are restated to correct the prior material misstatement. The paragraph need not be repeated in subsequent periods. (Ref: par. .A152–.A154) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.95** The emphasis-of-matter paragraph should include

- a. a statement that the previously issued financial statements have been restated for the correction of a material misstatement in the respective period and
- b. a reference to the entity's disclosure of the correction of the material misstatement. (Ref: par. .A155)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.96** If the financial statement disclosures relating to the restatement to correct a material misstatement in previously issued financial statements are not adequate, the accountant should address the inadequacy of disclosure as described in paragraphs .69–.72. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### ***Other Reporting Responsibilities***

**.97** 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, under the heading "Report on Other Legal and Regulatory Requirements," or otherwise, as appropriate to the content of the section, following the section of the report titled "Report on the Financial Statements." (Ref: par. .A156) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

[**.98–.102**] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

### **Alert That Restricts the Use of the Accountant's Review Report**

**.103** 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. .A163–.A165)

- 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.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**.104** The alert that restricts the use of the accountant's review report required by paragraph .103 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. .A166)

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Adding Other Specified Parties***

**.105** When, in accordance with paragraph .103, 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. .A167) [Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**.106** 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.

[Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

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

[.107–.108] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

### ***Implications for the Accountant's Review Report When Substantial Doubt Exists About the Entity's Ability to Continue as a Going Concern***

**.109** 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 a separate section in the accountant's review report with the heading "Substantial Doubt About the Entity's Ability to Continue as a Going Concern" that does the following: (Ref: par. .A175–.A182)

- a. Draws attention to the note in the financial statements that discloses

- i. the conditions or events identified and management's plans that deal with these conditions or events and
  - ii. that these conditions or events indicate that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time
- b. States that the accountant's conclusion is not modified with respect to the matter

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.110** The description in the "Going Concern" section about the entity's ability to continue as a going concern for a reasonable period of time should use terms consistent with those included in the applicable financial reporting framework. 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. .A181) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.111** 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 do the following:

- a. Express a qualified or adverse conclusion, as appropriate, in accordance with paragraphs .71–.74
- b. In the "Basis for Qualified (Adverse) Conclusion" section of the accountant's review report, state that
  - i. substantial doubt exists about the entity's ability to continue as a going concern and that the financial statements do not adequately disclose this matter or
  - ii. substantial doubt about the entity's ability to continue as a going concern has been alleviated by management's plans but the financial statements do not adequately disclose this matter.

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### ***Management Unwilling to Perform or Extend Its Evaluation***

**.112** If management is unwilling to perform or extend its evaluation to meet the period of time required by the applicable financial reporting framework when requested to do so by the accountant, the accountant should consider the implications for the accountant's review report. (Ref: par. .A123) [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**[.113–.121]** [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

## Reference to the Work of Other Accountants in an Accountant's Review Report

**.122** 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. .A191–.A193) [Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.123** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Determining Whether the Other Accountants Are Familiar with SSARSs or Auditing Standards Generally Accepted in the United States of America, as Applicable***

**.124** 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.
- 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. .A194)
- c. The other accountants understand the ethical requirements that are relevant to the engagement and, in particular, are independent. (Ref: par. .A195)
- 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.

[Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Determining Whether to Make Reference When the Financial Reporting Framework Is Not the Same***

**.125** 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. .A196)

[Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

### **Supplementary Information That Accompanies Reviewed Financial Statements and the Accountant's Review Report Thereon**

**.126** 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

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.127** 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. .A198 and .A200)

- 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;



- 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.

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.128** 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. .A199–.A200)

- 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.

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## Required Supplementary Information

**.129** Concerning the requirement in paragraph .126, 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. .A201)

- 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. .A202)
- 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.

## 4610 Statements on Standards for Accounting and Review Services

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.130** 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 paragraph .126 should include the following elements: (Ref: par. .A203)

- 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
- 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]*

[As amended, effective October 2016, by SSARS No. 23. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.131** 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

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### Change in Engagement From Audit to Review

**.132** 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 consider the following before deciding whether to agree to the change: (Ref: par. .A204–.A205)

- 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. .A206)
- b. The additional audit effort required to complete the audit engagement
- c. The estimated additional cost to complete the audit engagement

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.133** 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. [Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.134** 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. [Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.135** 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.

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.136** When the accountant has been engaged to audit an entity's financial statements and management refuses to allow the accountant to correspond with the entity's legal counsel, the accountant, except in rare circumstances, is

precluded from accepting an engagement to review those financial statements. [Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## **Review Documentation**

**.137** 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 prepare review documentation in a timely manner that is sufficient to enable an experienced accountant, having no previous connection to the review, to understand the following: (Ref: par. .A207–.A211)

- a.* The nature, timing, and extent of the review procedures performed to comply with SSARSs
- b.* The review evidence obtained from the review procedures performed and the accountant's conclusions formed on the basis of that review evidence
- c.* Significant matters arising during the review, the accountant's conclusions reached thereon, and significant professional judgments made in reaching those conclusions

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.138** In addition to the requirements in paragraph .137, the review documentation should include the following:

- a.* The engagement letter or other suitable form of written documentation with management, as described in paragraphs .16–.17 (Ref: par. .A25 and .A27)
- 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 .93
- 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 .122
- 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
- f.* The representation letter
- g.* A copy of the reviewed financial statements and the accountant's review report thereon

[Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.139** In documenting the nature, timing, and extent of procedures performed as required in this section, the accountant should record the following:

- a. Who performed the work and the date such work was completed
- b. Who reviewed the work performed for the purpose of quality control for the engagement and the date and extent of the review

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Application and Other Explanatory Material

### Introduction

**.A1** If the accountant is engaged to perform a review of historical financial information other than financial statements, references in this section to *financial statements* are to be taken as a reference to such other historical financial information. [Paragraph added, effective October 2016, by SSARS No. 23.]

**.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

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

**.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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

### Objectives (Ref: par. .07)

**.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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016.]

[.A5–.A9] [Paragraphs deleted by the issuance of SSARS No. 25, February 2020.]

**Definitions (Ref: par. .08)**

**.A10** Sufficient appropriate review evidence, consisting primarily of the results of the accountant's analytical procedures and inquiries, is required to obtain limited assurance to support the accountant's conclusion. Review evidence is cumulative in nature and primarily obtained from the procedures performed during the course of the review. The combination of the nature, timing, and extent of evidence-gathering procedures is limited compared to an audit engagement. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A11** 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).<sup>1</sup>
- 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.<sup>2</sup>
- c. *International Accounting Standards Board*. At least, but not limited to, one year from the end of the reporting period.<sup>3</sup>

[Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered by the issuance of SSARS No. 25, February 2020.]

**[.A12]** [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

**.A13** 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. [Paragraph added, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A14** 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. [Paragraph added, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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<sup>1</sup> "Pending Content" in *FASB Accounting Standards Codification (ASC) 205-40-50-1*. [Footnote added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24.]

<sup>2</sup> Paragraph 16 of *GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. [Footnote added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24.]

<sup>3</sup> Paragraph 26 of *International Accounting Standard 1, Presentation of Financial Statements*. [Footnote added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24.]

## Independence (Ref: par. .10)

**.A15** The AICPA Code of Professional Conduct provides guidance with respect to independence. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A16** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## Professional Skepticism (Ref: par. .11)

**.A17** Professional skepticism includes being alert to the following, for example:

- Review evidence that contradicts other review evidence obtained
- Information that brings into question the reliability of 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

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A18** Maintaining professional skepticism throughout the review is necessary if the accountant is, for example, to reduce the risks of

- overlooking unusual circumstances.
- overgeneralizing when drawing conclusions from review observations.
- using inappropriate assumptions in determining the nature, timing, and extent of the review procedures and evaluating the results thereof.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A19** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A20** The accountant may accept records and documents as genuine unless the accountant has reason to believe the contrary. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A21** 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 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### **Acceptance and Continuance of Client Relationships and Review Engagements (Ref: par. .13)**

**.A22** 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*b* 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" interpretation (ET sec. 1.295) of the "Independence Rule" 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 .16–.17. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A23** Documents containing financial statements that may include an indication that such financial statements have been reviewed by the entity's accountant includes documents submitted to bonding companies. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### **Agreement on Engagement Terms (Ref: par. .16–.17 and .135)**

**.A24** 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 certain risks or perform certain functions, including those that are management's responsibility. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A25** 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*b* of section 60, the accountant is required to obtain management's agreement that it acknowledges and understands its responsibilities. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]



**.A26** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A27** The understanding with management regarding the services to be performed for review engagements is required by paragraph .16 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. [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A28** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A29** Illustrations of engagement letters for a review of financial statements are presented in exhibit A, "Illustrative Engagement Letters." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## **Communication With Management and Those Charged With Governance (Ref: par. .18)**

**.A30** 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.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A31** 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 charged 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the

issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A32** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Communicating Matters Concerning the Review***

**.A33** 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
  - the accountant's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.
  - 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.
  - 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 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.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A34** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### **Communication With Third Parties**

**.A35** 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.
- 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.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A36** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## **Performing the Engagement**

### **Materiality in a Review of Financial Statements (Ref: par. .19)**

**.A37** The accountant's consideration of materiality is made in the context of the applicable financial reporting framework. Financial reporting frameworks often 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
- judgments about materiality are made in light of surrounding circumstances and affected by the size or nature of a misstatement or a combination of both.
- judgments about materiality involve both qualitative and quantitative considerations.
- 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.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A38** If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph .A37 provide the accountant with such a frame of reference. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A39** The accountant's determination of materiality is a matter of professional judgment and is affected by the accountant's perception of the financial information needs of users of the financial statements. For purposes of determining materiality, the accountant may assume that reasonable 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 judgments based on the information in the financial statements.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A40** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A41** 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 the following:

- 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 that 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)

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Understanding of the Industry (Ref: par. .21)

**.A42** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## Knowledge of the Entity (Ref: par. .22)

**.A43** 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
- 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

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A44** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## Designing and Performing Review Procedures (Ref: par. .24–.25)

**.A45** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A46** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A47** Both quantitative and qualitative factors are considered when determining which items are material to the financial statements, including disclosures, and which areas include increased risk of material misstatement. For example, disclosure of the implementation status of a new accounting standard may not include quantitatively material disclosures but may be qualitatively material such that the accountant would perform inquiry procedures to

validate the disclosures presented. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### **Analytical Procedures (Ref: par. .26–.27)**

**.A48** 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." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A49** 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

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A50** 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
- Between financial information and relevant nonfinancial information, such as payroll costs to number of employees

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A51** 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). [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A52** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018.]

Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A53** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A54** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Investigating Results of Analytical Procedures (Ref: par. .28b)***

**.A55** Although the accountant is not required to corroborate management's responses with other 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## **Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters (Ref: par. .29)**

**.A56** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A57** Additional examples of unusual or complex transactions, events, or matters about which the accountant may inquire of management are as follows:

- Correction of an error
- Business combinations
- New or complex revenue recognition methods
- Impairment of assets
- Disposal of a segment of a business
- Use of derivative instruments and hedging activities
- Sales and transfers that may call into question the classification of investments in securities, including management's intent and ability with respect to the remaining securities classified as held to maturity
- Adoption of new stock compensation plans or changes to existing plans

- Restructuring charges taken in the current and prior periods
- Significant, unusual, or infrequently occurring transactions
- Changes in litigation or contingencies
- Application of new accounting principles
- Changes in accounting principles or the methods of applying them
- Trends and developments affecting accounting estimates, such as allowances for bad debts and excess or obsolete inventories, provisions for warranties and employee benefits, and realization of unearned income and deferred charges
- Compliance with debt covenants
- Material off-balance-sheet transactions, variable interest entities, and other equity investments
- Unique terms for debt or capital stock that could affect classification

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A58** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018.]

**.A59** 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 .29m to inquire of members of management who have responsibility for financial and accounting matters concerning the financial statements about actions taken at such meetings. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## Procedures to Address Specific Circumstances

### *Related Parties*

*Understanding the Nature of Significant Transactions Outside the Normal Course of Business (Ref: par. .33a)*

**.A60** Inquiring into the nature of the significant transactions outside the entity's normal course of business involves obtaining an understanding of the business rationale of the transactions and the terms and conditions under which these have been entered into. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]



***Fraud and Noncompliance With Laws or Regulations (Ref: par. .34)***

**.A61** The communication of matters involving identified or suspected non-compliance 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A62** The accountant's professional duty to maintain the confidentiality of client information may preclude reporting identified or suspected noncompliance with laws and regulations to a party outside the entity. However, the accountant's legal responsibilities vary by jurisdiction, and in certain circumstances, the duty of confidentiality may be overridden by statute, the law, or courts of law. In the following circumstances, a duty to notify parties outside the entity may exist:

- In response to a court order
- In compliance with requirements for the reviews of entities that receive financial assistance from a government agency

Because potential conflicts with the accountant's ethical and legal obligations regarding confidentiality may be complex, the accountant may consult with legal counsel before discussing noncompliance with parties outside the entity. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A63** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

***Going Concern (Ref: par. .37–.38)***

**.A64** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A65** 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). [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A66** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A67** 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, defaults on loans 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

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A68** 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<sup>4</sup> that the

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<sup>4</sup> The FASB ASC Master Glossary defines *probable* as "the future event or events are likely to occur." [Footnote renumbered by the issuance of SSARS No. 24, May 2018.]

plan will be effectively implemented within one year after the date that the financial statements are issued.<sup>5</sup>

- 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 loans or similar agreements, or encumbrances against the asset or business
  - ii. Marketability of the asset or business that management plans to sell
  - iii. Possible direct or indirect effects of disposal of the asset or business
- b. Plans to borrow money or restructure debt
  - i. Availability and terms of new debt financing or availability and terms of existing debt refinancing, such as term debt, lines of credit, or arrangements for factoring receivables or sale-leaseback of assets
  - ii. Existing or committed arrangements to restructure or subordinate debt or to guarantee loans to the entity
  - iii. Possible effects on management's borrowing plans of existing restrictions on additional borrowing or the sufficiency of available collateral
- c. Plans to reduce or delay expenditures
  - i. Feasibility of plans to reduce overhead or administrative expenditures, to postpone maintenance or research and development projects, or to lease rather than purchase assets
  - ii. Possible direct or indirect effects on the entity and its cash flows of reduced or delayed expenditures
- d. Plans to increase ownership equity
  - i. Feasibility of plans to increase ownership equity, including existing or committed arrangements to raise additional capital
  - ii. Existing or committed arrangements to reduce current dividend requirements or to accelerate cash infusions from affiliates or other investors

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A69** 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

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<sup>5</sup> "Pending Content" in FASB ASC 205-40-55-3. [Footnote renumbered by the issuance of SSARS No. 24, May 2018.]

- 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

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## **Reconciling the Financial Statements to the Underlying Accounting Records (Ref: par. .41)**

**.A70** 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.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## **Additional Procedures When the Accountant Becomes Aware That the Financial Statements May Be Materially Misstated (Ref: par. .42)**

**.A71** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A72** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A73** 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 the following:

- 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
- 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

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A74** 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. Such procedures may consist of the following:

- Additional inquiry or analytical procedures, for example, being performed in greater detail or focused on the affected items (that is, amounts or disclosures concerning the affected accounts or transactions as reflected in the financial statements)
- Other types of procedures, for example, a substantive test of details or external confirmations

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A75** 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 accounts. 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 do the following:

- 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.
- 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 it is, 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) preceding. If not, the accountant is required to do one of the following:
  - i. Continue performing additional procedures until the accountant reaches either (a) or (b) preceding
  - 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 .48, withdraw from the engagement

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## **Evaluating Review Evidence Obtained From the Procedures Performed (Ref: par. .47)**

[**A76–A77**] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

**.A78** In some circumstances, the accountant may not have obtained the 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 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 or matters that cause the accountant to believe the financial statements may be materially misstated. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## **Subsequent Events and Subsequently Discovered Facts**

### ***Subsequent Events (Ref: par. .49)***

**.A79** 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

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### ***Subsequently Discovered Facts That Become Known to the Accountant After the Report Release Date (Ref: par. .54–.57)***

**.A80** 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 .54–.57 apply, even if

the accountant has withdrawn or been discharged. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A81** 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 .54*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, the date of the accountant's review report released, and any legal implications. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A82** 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.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A83** 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 on the accountant's legal and ethical rights and obligations. Consequently, the accountant may consider it appropriate to seek legal advice. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A84** The actions that the accountant may take to seek to prevent use of the accountant's review report may depend on 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 on 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.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A85** 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.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A86** If the accountant is 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 requirements to be detailed in the notification. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Written Representations

### *Written Representations as Review Evidence (Ref: par. .58)*

**.A87** 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. [Paragraph



renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

***Management From Whom Written Representations Are Requested (Ref: par. .59)***

**.A88** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A89** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A90** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

***Specific Written Representations (Ref: par. .60–.61)***

**.A91** Review evidence obtained during the review that management has acknowledged the responsibilities referred to in paragraph .60*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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A92** The written representations relating to fraud required by paragraph .60*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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A93** 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*]." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A94** 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:

- 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

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A95** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A96** 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 there are any changes to such written representations and, if so, what they are. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the

issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A97** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A98** The accountant may request additional representations regarding matters specific to the entity's business or industry. In addition, the accountant is not precluded from obtaining representations regarding services performed in addition to the review engagement. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Form of Written Representations (Ref: par. .62)***

**.A99** 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 .62 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A100** Exhibit B, "Illustrative Representation Letter," provides an illustrative example of a representation letter. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## **Forming the Accountant's Conclusion on the Financial Statements**

### ***Consideration of the Applicable Financial Reporting Framework in Relation to the Financial Statements (Ref: par. .64-.66)***

**.A101** 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 because the special purpose financial statements may not be appropriate for any use other than the intended use identified. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A102** 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 because it may mislead users of the financial statements. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A103** 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

[Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A104** 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. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

### ***Evaluation of Whether the Financial Statements Achieve Fair Presentation (Ref: par. .66b)***

**.A105** The accountant's professional judgment concerning the fairness of the presentation of the financial statements is applied within the context of the financial reporting framework. Without that framework, the accountant would have no consistent standard for evaluating the presentation of financial position, results of operations, and cash flows in financial statements. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

### ***Financial Statements Are Materially Misstated (Ref: par. .71)***

**.A106** Unless prohibited by law or regulation, the accountant may determine it appropriate to withdraw from the engagement when the accountant

has determined, based on the procedures performed and the review evidence obtained, that the financial statements are materially misstated. [Paragraph added, effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021, by SSARS No. 25.]

## **Reporting on the Financial Statements (Ref: par. .75)**

**.A107** A written report encompasses reports issued in hard copy format and those using an electronic medium. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A108** 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 accountant's review report included on each page of the reviewed financial statements is "See independent accountant's review report." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A109** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## **Accountant's Review Report (Ref: par. .76)**

### *Title*

**.A110** An appropriate title would be "Independent Accountant's Review Report." [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### *Addressee*

**.A111** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

#### *Introductory Paragraph*

**.A112** 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 .76c(iii) requires such statements to be identified in the introductory paragraph of the report as a statement to which the financial statements are comprised. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A113** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A114** The identification of the title for each statement that the financial statements comprise may be achieved by referencing the table of contents. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

#### *Management's Responsibility*

**.A115** Management, and when appropriate, those charged with governance, accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

#### *Accountant's Responsibility*

**.A116** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018.]

Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A117** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A118** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

*Basis for Modification Paragraph When the Conclusion Is Modified*

**.A119** An adverse 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 instances in which other identified matters would have otherwise required a modification of the accountant's conclusion, the disclosure of such other matters of which the accountant is aware may be relevant to users of the financial statements. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

*Accountant's Address*

**.A120** The city and state where the accountant practices may be indicated on letterhead that contains the issuing office's city and state. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

*Date of the Accountant's Review Report*

**.A121** 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 .49–.57. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A122** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A123 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 .76. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## Accountant's Review Report on Financial Statements Prepared in Accordance With a Special Purpose Framework (Ref: par. .13, .77, and .80–.81)

.A124 There may be circumstances in which a regulatory or contractual basis of accounting is based on a general purpose framework established by a designated accounting standard setter, such as 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 GAAP. If the financial statements purport to be prepared in accordance with a general purpose framework and such financial statements are materially misstated due to a departure from that framework, paragraphs .71–.72 apply. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A125 When it is acceptable in the circumstances of the engagement to report, in accordance with this section, on special purpose financial statements that purport to be prepared in accordance with a regulatory or contractual basis of accounting that is based on a general purpose framework, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial statements to imply that the special purpose framework includes all the requirements of, or is the same as, the financial reporting framework on which the special purpose framework is based. In the example of the contract in paragraph .A124, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract. The requirements in paragraphs .80–.81 are designed to avoid misunderstandings about compliance with the general purpose framework. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

.A126 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."
- a financial statement prepared in accordance with a regulatory basis of accounting that might be titled "Statement of Income—Regulatory Basis."

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A127** 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. [Paragraph subsequently renumbered by the issuance of SSARS No. 23, October 2016. Paragraph renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A128** Financial statements prepared when applying a 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**[.A129]** [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

**.A130** Special purpose financial statements may be used for purposes other than those for which they were intended. To avoid misunderstandings, paragraph .80 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A131** 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 .80 is designed to avoid misunderstandings about the

framework used to prepare the financial statements. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A132** If the special purpose financial statements are prepared in accordance with a contractual basis of accounting, paragraph .81 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 .103–.104. In the case of special purpose financial statements prepared in accordance with a basis of accounting other than a contractual basis, the accountant may 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### **Comparative Financial Statements (Ref: par. .82)**

**.A133** The level of information included for the prior periods in comparative financial statements is comparable with that of financial statements of the current period. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A134** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### **Updating the Report (Ref: par. .83)**

**.A135** An updated report is issued in conjunction with the continuing accountant's report on the current period financial statements. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### **Changed Reference to a Departure From the Applicable Financial Reporting Framework (Ref: par. .86)**

**.A136** A changed reference includes the removal of a prior reference or the inclusion of a new reference. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

[**.A137–.A140**] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

## Emphasis-of-Matter and Other-Matter Paragraphs in the Accountant's Review Report (Ref: par. .89 and .91)

.A141 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 paragraph .55c 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 the accountant's review report on the original financial statements
- In accordance with paragraphs .80–.81 with respect to financial statements prepared in accordance with a special purpose framework
- In accordance with paragraph .86 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 .87 with respect to reporting on comparative financial statements when the prior period is audited
- In accordance with paragraph .109 when, 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
- In accordance with paragraph .123 with respect to supplementary information that accompanies reviewed financial statements and the accountant's review report thereon
- In accordance with paragraph .124 with respect to required supplementary information

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### ***Emphasis-of-Matter Paragraphs in the Accountant's Review Report (Ref: par. .89–.90)***

.A142 In addition to the required emphasis-of-matter paragraphs listed in paragraph .A141, the following are examples of circumstances when the accountant may consider it necessary to include an emphasis-of-matter paragraph:

- 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

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of

financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A143** Paragraph .89 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A144** Another heading may be considered appropriate if it adequately describes the nature of the matter being disclosed or communicated. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A145** The accountant may add further context to the heading "Emphasis of Matter" (for example, "Emphasis of Matter — Subsequent Event") to further describe the nature of the matter addressed by the emphasis-of-matter paragraph. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A146** 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 the following:

- A modified conclusion in accordance with paragraphs .69–.74 when required by the circumstances of a specific review engagement
- Disclosures in the financial statements that the applicable financial reporting framework requires management to make
- Reporting in accordance with paragraphs .109–.112 when, after considering identified 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, in which case the accountant is required to include a separate section in the accountant's report

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

### ***Other-Matter Paragraphs in the Accountant's Review Report (Ref: par. .91)***

**.A147** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A148** 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 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A149** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018.]

### ***Communication With Management (Ref: par. .93)***

**.A150** The accountant's communication with management, as described in paragraph .93, 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A151** In addition to management, the accountant may also consider it appropriate to communicate with those charged with governance regarding the expectation of including an other-matter paragraph in the accountant's review report and the proposed wording of this paragraph. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### **Correction of a Material Misstatement in Previously Issued Financial Statements (Ref: par. .94–.95)**

**.A152** The requirement for the accountant to include an emphasis-of-matter paragraph in the accountant's review report when there are adjustments to correct a material misstatement in previously issued financial statements applies when comparative or single-year financial statements are presented. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A153** A change from an accounting principle that is not in accordance with the applicable financial reporting framework to one that is in accordance with the applicable financial reporting framework is a correction of a misstatement. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A154** Paragraphs .54–.55 address the accountant's responsibilities when adjustments have been made to correct a material misstatement in previously issued financial statements. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A155** The following is an example of an emphasis-of-matter paragraph when there has been a correction of a material misstatement in previously issued financial statements:

*Emphasis of Matter*

As discussed in Note X to the financial statements, the 20X2 financial statements have been restated to correct a misstatement. Our conclusion is not modified with respect to this matter.

[Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

## Other Reporting Responsibilities (Ref: par. .97)

**.A156** 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 subheadings that describe the content of the other reporting responsibilities paragraph or paragraphs. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

[~~.A157–.A162~~]<sup>[6]</sup> [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

## Alert That Restricts the Use of the Accountant's Review Report (Ref: par. .103)

**.A163** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A164** 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

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<sup>[6]</sup> [Footnote renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Distribution of the Accountant's Review Report (Ref: par. .103)***

**.A165** 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 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Illustrative Alert Language (Ref: par. .104)***

**.A166** 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 .104:

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.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### ***Adding Other Specified Parties (Ref: par. .105)***

**.A167** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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

[~~A.168–A.173~~]<sup>7–8</sup> [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

### ***Implications for the Accountant's Review Report When Substantial Doubt Exists About the Entity's Ability to Continue as a Going Concern*** ***(Ref: .109–.110 and .112)***

[~~A.174~~] [Paragraph renumbered and deleted by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A175** The identification of substantial doubt is a matter that is important to users' understanding of the financial statements. The use of a separate section with a heading that includes reference to the fact that substantial doubt exists about the entity's ability to continue as going concern alerts users to this circumstance. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A176** The following are illustrations of the statements that are required to be included in the accountant's review report on the financial statements. The following illustrations provide examples in which FASB ASC is the applicable financial reporting framework. If an applicable financial reporting framework other than FASB ASC is used, the wording in the illustrations may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

***Illustration 1 — An Accountant's Review Report Containing an Unmodified Conclusion and Including a Going Concern Section When Management Is Required Under the Applicable Financial Reporting Framework to Include a Statement in the Notes to the Financial Statements That Conditions or Events Have Been Identified and Substantial Doubt Exists and Disclosure in The Financial Statements Is Adequate***

***Substantial Doubt About the Company's Ability to Continue as a 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, 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.

***Illustration 2 — An Accountant's Review Report Containing an Unmodified Opinion Conclusion and Including an Emphasis-of-Matter Paragraph Because Substantial Doubt Has Been Alleviated***

***Emphasis of Matter***

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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<sup>7–8</sup> [Footnote renumbered and deleted by the issuance of SSARS No. 25, February 2020.]



[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A177** [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

**.A178** When FASB ASC or the GASB statements are the applicable financial reporting framework used in the preparation of the financial statements, the accountant's conclusion about the entity's ability to continue as a going concern is expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern." In other financial reporting frameworks, a similar term or phrase may be appropriate depending on the requirements of the applicable financial reporting framework. If the applicable financial reporting framework does not include comparable terms, then wording that includes the terms *substantial doubt* and *going concern* may be appropriate. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A179** 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 and adequate disclosure has been made in the financial statements, the accountant may include an emphasis-of-matter paragraph in accordance with paragraphs .89–.90, making reference to management's disclosures related to the conditions and events and management's plans related to those conditions or events. In this circumstance, the use of an emphasis-of-matter paragraph is to draw users' attention to the disclosures of the conditions and events and management's plans. It is distinguished from the situation in which the accountant concludes, after considering identified conditions or events and management's plans, that substantial doubt about the entity's ability to continue as a going concern remains, in which case the accountant is required by paragraph .109 to include a separate "Going Concern" section in the accountant's review report.

[Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A180** As indicated in paragraph .71, in circumstances in which conditions and events have been identified and the accountant concludes that, based on the review evidence obtained, the disclosures are materially misstated, the accountant is required to modify the accountant's review report. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A181** Examples of conditional language that are inappropriate to use in the "Going Concern" section include the following:

- If the Company continues to suffer 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 Company 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.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph renumbered and amended, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

**.A182** In certain circumstances, the accountant may believe it necessary to request that management perform or extend its evaluation to meet the period of time required by the applicable financial reporting framework. If management is unwilling to do so, a qualified or adverse conclusion in the accountant's review report may be appropriate. For example, management may be unwilling to extend its evaluation because it believes it has satisfied the requirements to conclude whether substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time when the applicable financial reporting framework requires management to make this evaluation. If, in the accountant's judgment, management's conclusion is not adequately supported, the accountant may conclude that a qualified or adverse conclusion for a departure from the applicable financial reporting framework is appropriate in the circumstances. Paragraphs .69–.74 provide guidance related to the modification of the accountant's conclusion. [Paragraph added, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]

[**.A183–.A190**] [Paragraphs renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

## **Reference to the Work of Other Accountants in an Accountant's Review Report (Ref: par. .122)**

**.A191** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A192** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A193** 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.<sup>9</sup> [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

***Determining Whether the Other Accountants Are Familiar with SSARSs or Auditing Standards Generally Accepted in the United States of America, as Applicable (Ref: par. .124b)***

**.A194** 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 .124b. 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 .124b, 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A195** 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

***Determining Whether to Make Reference When the Financial Reporting Framework Is Not the Same (Ref: par. .125b)***

**.A196** The greater the number of differences or the greater the significance of the differences between the criteria used for measurement,

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<sup>9</sup> Illustration 6, "An Accountant's Review Report on Comparative Consolidated Financial Statements in Which the Accountant Makes Reference to the Work of Other Accountants Who Were Engaged to Review the Financial Statements of a Significant Component," of exhibit C. [Footnote renumbered by the issuance of SSARS No. 24, May 2018. Footnote subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

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 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. [Paragraph added, effective for reviews of financial statements for periods ending on or after June 15, 2019, by SSARS No. 24. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### Supplementary Information That Accompanies Reviewed Financial Statements (Ref: par. .126–.128)

[A197] [Paragraph renumbered and deleted by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**A198** 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 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.

[Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**A199** 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.

[Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A200** 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." [Paragraph renumbered and amended, effective October 2016, by SSARS No. 23. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### **Required Supplementary Information (Ref: par. .129–.130)**

**.A201** 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*

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A202** *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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A203** Because the required supplementary information accompanies the basic financial statements, the accountant's review report on the financial statements includes a discussion of the 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

### **Change in Engagement From Audit to Review (Ref: par. .132)**

**.A204** 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 engagement, whether imposed by management or caused by circumstances. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A205** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A206** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

## Review Documentation (Ref: par. .137)

**.A207** Review documentation may be recorded on paper or on electronic or other media. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A208** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A209** 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A210** 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 .137 to prepare review documentation that can be understood by an experienced accountant because the review documentation may be subject to review by external parties. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**.A211** Findings or issues that, in the accountant's professional judgment, are significant may include the results of review 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. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A212

## Appendix A — Analytical Procedures the Accountant May Consider Performing When Conducting a Review of Financial Statements (Ref: par. .A29)

Analytical procedures are designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement of the financial statements. Examples of analytical procedures that an accountant may consider performing in a review of financial statements include the following:

- Comparing current financial statements with the financial statements of the prior period.
- Comparing current financial statements with anticipated results, such as budgets or forecasts (for example, comparing tax balances and the relationship between the provision for income taxes and pretax income in the current financial statements with corresponding information in [a] budgets, using expected rates, and [b] financial statements for prior periods). Caution is necessary when comparing and evaluating current financial statements with budgets, forecasts, or other anticipated results because of the inherent lack of precision in estimating the future and the susceptibility of such information to manipulation and misstatement by management to reflect desired results.
- Comparing current financial statements with relevant nonfinancial information.
- Comparing ratios and indicators for the current period with expectations based on prior periods (for example, performing gross profit analysis by product line and operating segment using elements of the current financial statements and comparing the results with corresponding information for prior periods). Examples of key ratios and indicators are the current ratio, receivable turnover or days sales outstanding, inventory turnover, depreciation to average fixed assets, debt to equity, gross profit percentage, net income percentage, and plant operating rates.
- Comparing ratios and indicators for the current period with those of entities in the same industry.
- Comparing relationships among elements in the current financial statements with corresponding relationships in the financial statements of prior periods (for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables).
- Comparing disaggregated data. The following are examples of how data may be disaggregated:
  - By period (for example, financial statement items disaggregated into quarterly, monthly, or weekly amounts)
  - By product line or operating segment
  - By location (for example, subsidiary, division, or branch)



Analytical procedures may include such statistical techniques as trend analysis or regression analysis and may be performed manually or with the use of computer-assisted techniques. [Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

**[.A213]** [Paragraph renumbered and deleted by the issuance of SSARS No. 25, February 2020.]

.A214

## Exhibit A — Illustrative Engagement Letters (Ref: par. .A29)

**Illustration 1** — An Engagement Letter for a Review Engagement With Respect to Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

**Illustration 2** — An Engagement Letter for a Review Engagement With Respect to Financial Statements Prepared in Accordance With the Tax Basis of Accounting

The illustrative engagement letters in this exhibit are intended as illustrations that may be used in conjunction with the considerations outlined in Statements on Standards for Accounting and Review Services. The engagement letter will vary according to individual requirements and circumstances, and the illustrations are drafted to refer to a review engagement for a single reporting period. The accountant may seek legal advice about whether a proposed letter is suitable.

### Illustration 1 — An Engagement Letter for a Review Engagement With Respect to Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Circumstances include the following:

- The accountant will prepare, as a nonattest service, the financial statements, including related notes, subject to the review engagement.
- The financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America.

To the appropriate representative of management of ABC Company:<sup>1</sup>

You<sup>2</sup> have requested that we prepare the financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, 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 and perform a review engagement with respect to those financial statements.<sup>3</sup> We are pleased to confirm our acceptance and understanding of this engagement by means of this letter.

### Our Responsibilities

The objective of our engagement is to

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<sup>1</sup> The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the review engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A25.

<sup>2</sup> Throughout this engagement letter, references to *you, we, us, management, and accountant* would be used or amended as appropriate in the circumstances.

<sup>3</sup> The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

- a. prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you and
- b. obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including ethical principles of integrity, objectivity, professional competence, and due care.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of company management. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement 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 engagement. Accordingly, we will not express an opinion regarding the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by error or fraud, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential.

### **Your Responsibilities**

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

- a. The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements
- b. The preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America
- c. 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
- d. The prevention and detection of fraud
  - e. To ensure that the entity complies with the laws and regulations applicable to its activities
  - f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement
  - g. To provide us with
    - i. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters
    - ii. additional information that we may request from you for the purpose of the review engagement
    - iii. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries
  - h. To provide us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review

You are also responsible for all management decisions and responsibilities, and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of services performed and accepting responsibility for such services.

### **Our Report**

*[Insert appropriate reference to the expected form and content of the accountant's review report. Example follows.]*

We will issue a written report upon completion of our review of ABC Company's financial statements. Our report will be addressed to the board of directors of ABC Company. We cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary for us to report known departures from accounting principles generally accepted in the United States of America, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

You agree to include our accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by us and, prior to inclusion of the report, to ask our permission to do so.

### **Other Relevant Information**

Our fees for these services. . .

*[The accountant may include language, such as the following, regarding limitation of or other arrangements regarding the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

*You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by*

*third parties relying on the financial statements described herein except for our own intentional wrongdoing.]*

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a review of those same financial statements and our respective responsibilities.

Sincerely yours,

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*[Signature of accountant or accountant's firm]*

Acknowledged and agreed on behalf of ABC Company by:

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*[Signed]*

*[Name and Title]*

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*[Date]*

[Revised, February 2015, to include additional required engagement letter elements; Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018.]

### **Illustration 2 — An Engagement Letter for a Review Engagement With Respect to Financial Statements Prepared in Accordance With the Tax Basis of Accounting**

Circumstances include the following:

- The accountant will prepare, as a nonattest service, the financial statements, including related notes, subject to the review engagement.
- The financial statements will be prepared in accordance with the tax basis of accounting.

To the appropriate representative of management of ABC Company:<sup>1</sup>

You<sup>2</sup> have requested that we prepare the financial statements of ABC Company, which comprise the statement of assets, liabilities, and equity—tax basis as of December 31, 20XX, and the related statements of operations and retained earnings—tax basis, and cash flows—tax basis for the year then ended, and the related notes to the financial statements and to perform a review engagement with respect to those financial statements.<sup>3</sup> We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

#### **Our Responsibilities**

The objective of our engagement is to

- a. prepare financial statements in accordance with the tax basis of accounting based on information provided by you and

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<sup>1</sup> The addresses and references in the engagement letter would be those that are appropriate in the circumstances of the review engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons. See paragraph .A25.

<sup>2</sup> Throughout this engagement letter, references to *you*, *we*, *us*, *management*, and *accountant* would be used or amended as appropriate in the circumstances.

<sup>3</sup> The accountant may include other nonattest services to be performed as part of the engagement, such as income tax preparation and bookkeeping services.

- b. obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the tax basis of accounting.

We will conduct our review engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including ethical principles of integrity, objectivity, professional competence, and due care.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of company management. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement 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 engagement. Accordingly, we will not express an opinion regarding the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by error or fraud, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential.

### **Your Responsibilities**

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with the tax basis of accounting and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with the tax basis of accounting. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARSs:

- a. The selection of the tax basis of accounting as the financial reporting framework to be applied in the preparation of the financial statements
- b. The preparation and fair presentation of the financial statements in accordance with the tax basis of accounting and the inclusion of all informative disclosures that are appropriate for the tax basis of accounting. This includes
  - i. a description of the tax basis of accounting, including a summary of significant accounting policies, and how the tax basis of accounting differs from accounting principles generally accepted in the United States of America, the effects of which need not be qualified
  - ii. informative disclosures similar to those required by accounting principles generally accepted in the United States of America

- c. 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
- d. The prevention and detection of fraud
- e. To ensure that the entity complies with the laws and regulations applicable to its activities
- f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement
- g. To provide us with
  - i. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters
  - ii. additional information that we may request from you for the purpose of the review engagement
  - iii. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries
- h. To provide us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

### **Our Report**

*[Insert appropriate reference to the expected form and content of the accountant's review report. Example follows.]*

We will issue a written report upon completion of our review of ABC Company's financial statements. Our report will be addressed to the board of directors of ABC Company. We cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary of us to report known departures from the tax basis of accounting, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

Our report will state that the financial statements are prepared in accordance with tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion will not be modified with respect to this matter.

You agree to include our accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by us and, prior to inclusion of the report, to ask our permission to do so.

### **Other Relevant Information**

Our fees for these services. . .

*[The accountant may include language, such as the following, regarding limitation of or other arrangements regarding the liability of the accountant or the entity, such as indemnification to the accountant for liability arising from knowing*

**4664**      **Statements on Standards for Accounting and Review Services**

*misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements):*

*You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us or resulting from any actions against us by third parties relying on the financial statements described herein except for our own intentional wrongdoing.]*

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a review with respect to those same financial statements and our respective responsibilities.

Sincerely yours,

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[Signature of accountant or accountant's firm]

Acknowledged and agreed on behalf of ABC Company by:

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[Signed]

[Name and Title]

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[Date]

[Revised, February 2015, to include additional required engagement letter elements. Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]



.A215

## Exhibit B — Illustrative Representation Letter (Ref: par. .A97)

The following illustrative letter is intended as an illustration that may be used to comply with the requirements of section 90. The representation letter will vary according to individual requirements and circumstances.

It is assumed in this illustration that the applicable financial reporting framework is accounting principles generally accepted in the United States of America, that no conditions or events exist that might be indicative of the entity's inability to continue as a going concern, and that no exceptions exist to the requested written representations. If circumstances differ from these assumptions, the representations would need to be modified to reflect the actual circumstances.

(Entity Letterhead)

(To Accountant)

(Date)

This representation letter is provided in connection with your review of the financial statements of ABC Company, which comprise the balance sheets as of December 31, 20X2 and 20X1, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We represent that *[to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves] [as of (date of accountant's review report)]*:

### Financial Statements

- We acknowledge our responsibility and have fulfilled our responsibilities for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- We acknowledge our responsibility and have fulfilled our responsibilities 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- Guarantees, whether written or oral, under which the company is contingently liable have been properly accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB *Accounting Standards Codification* (ASC) 275, *Risks and Uncertainties*, have been properly accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America. [Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.]
- All events occurring subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been properly accounted for.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

[Any other matters that the accountant may consider appropriate.]

### Information Provided

- We have responded fully and truthfully to all inquiries made to us by you during your review.
- We have provided you with
  - access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - minutes of meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared;
  - additional information that you have requested from us for the purpose of the review; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain review evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have *[no knowledge of any]* *[disclosed to you all information that we are aware of regarding]* fraud or suspected fraud that affects the entity and involves
  - management,
  - employees who have significant roles in internal control, or
  - others when the fraud could have a material effect on the financial statements.
- We have *[no knowledge of any]* *[disclosed to you all information that we are aware of regarding]* allegations of fraud, or suspected fraud, affecting the entity's financial statements as a whole communicated by employees, former employees, analysts, regulators, or others.
- We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws or regulations whose effects should be considered when preparing financial statements.
- We *[have disclosed to you all known actual or possible]* *[are not aware of any pending or threatened]* litigation and claims whose effects should be considered when preparing the financial statements *[and we have not consulted legal counsel concerning litigation or claims]*
- We have disclosed to you any other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- We have disclosed to you all information relevant to the use of the going concern assumption in the financial statements.
- No material losses exist (such as from obsolete inventory or purchase or sale commitments) that have not been properly accrued or disclosed in the financial statements.
- The company has satisfactory title to all owned assets, and no liens or encumbrances on such assets exist, nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.
- We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- We are in agreement with the adjusting journal entries that you have recommended, and they have been posted to the company's accounts (if applicable).

*[Any other matters that the accountant may consider necessary.]*

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*[Name of Chief Executive Officer and Title]*

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*[Name of Chief Financial Officer and Title]*

Representation letters ordinarily are tailored to include additional appropriate representations from management relating to matters specific to the entity's business or industry.

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered by the issuance of SSARS No. 25, February 2020.]

.A216

## Exhibit C — Illustrations of Accountant's Review Reports on Financial Statements (Ref: par. .A123 and .A191)

The illustrative accountant's review reports in this exhibit are intended as illustrations that may be used to comply with the requirements of section 90. The accountant's review report will vary according to individual requirements and circumstances.

**Illustration 1** — An Accountant's Review Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When a Review Has Been Performed for Both Periods

**Illustration 2** — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

**Illustration 3** — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With the Tax Basis of Accounting

**Illustration 4** — An Accountant's Review Report on Interim Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

**Illustration 5** — An Accountant's Review Report on Comparative Financial Statements Disclosing a Departure From Accounting Principles Generally Accepted in the United States of America

**Illustration 6** — An Accountant's Review Report on Comparative Consolidated Financial Statements in Which the Accountant Makes Reference to the Work of Other Accountants Who Were Engaged to Review the Financial Statements of a Significant Component

**Illustration 7** — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America Containing an Adverse Conclusion Due to a Misstatement of the Financial Statements That Is Both Material and Pervasive to the Financial Statements

### **Illustration 1 — An Accountant's Review Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When a Review Has Been Performed for Both Periods**

Circumstances include the following:

- Review of a complete set of comparative financial statements.
- The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

#### **Independent Accountant's Review Report**

*[Appropriate Addressee]*

I (We) have reviewed the accompanying financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X2 and 20X1, and the

related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's (owners') financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### ***Accountant's Responsibility***

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

### ***Accountant's Conclusion***

Based on my (our) reviews, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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

*[Accountant's city and state]*

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

## **Illustration 2 — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America**

Circumstances include the following:

- Review of a complete set of financial statements (single year).
- The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

### **Independent Accountant's Review Report**

*[Appropriate Addressee]*

I (We) have reviewed the accompanying financial statements of XYZ Company, which comprise the balance sheet as of December 31, 20XX, 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. A review

includes primarily applying analytical procedures to management's (owners') financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### ***Accountant's Responsibility***

My (Our) responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### ***Accountant's Conclusion***

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.

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

*[Accountant's city and state]*

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

### **Illustration 3 — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With the Tax Basis of Accounting**

Circumstances include the following:

- Review of a complete set of financial statements (single year).
- The financial statements are of a partnership and prepared in accordance with the basis of accounting the partnership uses for income tax purposes (that is, a special purpose framework).
- Management has a choice of financial reporting frameworks.

#### **Independent Accountant's Review Report**

*[Appropriate Addressee]*

I (We) have reviewed the accompanying financial statements of XYZ Partnership, which comprise the statement of assets, liabilities, and partners' capital—tax basis as of December 31, 20XX, and the related statements of revenue and expenses—tax basis, and partners' capital—tax basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's (partners') financial data and

making inquiries of partnership management (partners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management (Partners) is (are) responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the partnership uses for income tax purposes; this includes determining that the basis of accounting the partnership uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management (Partners) is (are) also responsible 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.

### ***Accountant's Responsibility***

My (Our) responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with the basis of accounting the partnership uses for income tax purposes. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

We are required to be independent of XYZ Partnership and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### ***Accountant's Conclusion***

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 the basis of accounting the partnership uses for income tax purposes.

### ***Basis of Accounting***

I (We) draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the partnership uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

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

*[Accountant's city and state]*

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

## **Illustration 4 — An Accountant's Review Report on Interim Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America**

Circumstances include the following:

- Review of a complete set of interim financial statements for the period ended September 30, 20XX, and for the three and nine months then ended.



- The interim financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.
- The accountant appropriately performs the engagement in accordance with SSARs (that is, AU-C section 930, *Interim Financial Information*, is not applicable).

### **Independent Accountant's Review Report**

*[Appropriate Addressee]*

I (We) have reviewed the accompanying interim financial statements of XYZ Company, which comprise the balance sheet as of September 30, 20XX, and the related statements of income, changes in stockholders' equity, and cash flows for the three and nine months then ended, and the related notes to the interim financial statements. A review includes primarily applying analytical procedures to management's (owners') financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the interim financial statements as a whole. Accordingly, I (we) do not express such an opinion.

#### ***Management's Responsibility for the Financial Statements***

Management (Owners) is (are) responsible for the preparation and fair presentation of these interim financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial statements that are free from material misstatement whether due to fraud or error.

#### ***Accountant's Responsibility***

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the interim financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

#### ***Accountant's Conclusion***

Based on my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying interim financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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

*[Accountant's city and state]*

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

**Illustration 5 — An Accountant's Review Report on Comparative Financial Statements Disclosing a Departure From Accounting Principles Generally Accepted in the United States of America**

Circumstances include the following:

- Review of a complete set of comparative financial statements.
- The financial statements contain a departure from accounting principles generally accepted in the United States of America.

**Independent Accountant's Review Report**

[Appropriate Addressee]

I (We) have reviewed the accompanying financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X2 and 20X1, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's (owners') financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

***Management's Responsibility for the Financial Statements***

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

***Accountant's Responsibility***

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

***Basis for Qualified Conclusion***

As disclosed in Note X to these financial statements, accounting principles generally accepted in the United States of America require that inventory cost consist of material, labor, and overhead. Management has informed me (us) that the inventory of finished goods and work in process is stated in the accompanying financial statements at material and labor cost only, and that the effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows have not been determined.

*or*

As disclosed in Note X to these financial statements, the company has adopted [description of newly adopted method], whereas it previously used [description

*of previous method*]. Although the [*description of newly adopted method*] is in accordance with accounting principles generally accepted in the United States of America, the company does not appear to have reasonable justification for making a change as required by FASB *Accounting Standards Codification* 250, *Accounting Changes and Error Corrections*.

### **Qualified Conclusion**

Based on my (our) reviews, except for the effect of the matter 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 accounting principles generally accepted in the United States of America.

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

[*Accountant's city and state*]

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

### **Illustration 6 — An Accountant's Review Report on Comparative Consolidated Financial Statements in Which the Accountant Makes Reference to the Work of Other Accountants Who Were Engaged to Review the Financial Statements of a Significant Component**

Circumstances include the following:

- Review of a complete set of comparative consolidated financial statements.
- The financial statements of B Company, a wholly-owned subsidiary, whose financial statements reflect total assets constituting 20 percent and 22 percent, respectively, of consolidated total assets at December 31, 20X2 and 20X1, and total revenues constituting 18 percent and 20 percent, respectively, of consolidated total revenues for the years then ended, were reviewed by other accountants, and the accountant has decided to make reference to the work of other accountants in the accountant's review report.

#### **Independent Accountant's Review Report**

[*Appropriate Addressee*]

I (We) have reviewed the accompanying consolidated financial statements of XYZ Company and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 20X2 and 20X1, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's (owners') financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

#### ***Management's Responsibility for the Financial Statements***

Management (Owners) is (are) responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

***Accountant's Responsibility***

My (Our) responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA. We have not reviewed the financial statements of B Company, a wholly-owned subsidiary, whose financial statements reflect total assets constituting 20 percent and 22 percent, respectively, of consolidated total assets at December 31, 20X2 and 20X1, and total revenues constituting 18 percent and 20 percent, respectively, of consolidated total revenues for the years then ended. These statements were reviewed by other accountants, whose report has been furnished to me (us), and our conclusion, insofar as it relates to the amounts included for B Company, is based solely on the report of the other accountants.

SSARSs require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

***Accountant's Conclusion***

Based on my (our) reviews, and the report of other accountants, I am (we are) not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

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

*[Accountant's city and state]*

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

**Illustration 7 — An Accountant's Review Report on Single Year Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America Containing an Adverse Conclusion Due to a Misstatement of the Financial Statements That Is Both Material and Pervasive to the Financial Statements**

Circumstances include the following:

- Review of a complete set of comparative financial statements.
- The financial statements contain a departure from accounting principles generally accepted in the United States of America that is both material and pervasive to the financial statements due to nonconsolidation of a subsidiary.

**Independent Accountant's Review Report**

*[Appropriate Addressee]*

I (We) have reviewed the accompanying financial statements of XYZ 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. A review includes primarily applying analytical procedures to management's (owners') financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

***Management's Responsibility for the Financial Statements***

Management (Owners) is (are) responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

***Accountant's Responsibility***

My (Our) responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me (us) to perform procedures to obtain limited assurance as a basis for reporting whether I am (we are) aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I (We) believe that the results of my (our) procedures provide a reasonable basis for my (our) conclusion.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

***Basis for Adverse Conclusion***

As disclosed in Note X to these financial statements, the Company has not consolidated the financial statements of subsidiary ABC Company it acquired during 20X1 because it has not yet been able to ascertain the fair values of certain of the subsidiary's material assets and liabilities at the acquisition date. This investment is therefore accounted for on a cost basis by the Company. Under accounting principles generally accepted in the United States of America, the subsidiary should have been consolidated because it is controlled by the Company. Had XYZ Company been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

***Adverse Conclusion***

Based on my (our) review, due to the significance of the matter described in the Basis for Adverse Conclusion paragraph, the financial statements are not in accordance with accounting principles generally accepted in the United States of America. [Had we been engaged to perform an audit, other matters might have come to our attention.]

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

[*Accountant's city and state*]

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

[Paragraph renumbered by the issuance of SSARS No. 23, October 2016. Paragraph subsequently renumbered by the issuance of SSARS No. 24, May 2018. Paragraph subsequently renumbered and amended, effective for reviews of financial statements for periods ending on or after December 15, 2021, by SSARS No. 25.]