



BEACON HILL
FINANCIAL EDUCATORS

51A Middle Street, Newburyport, MA 01950

Phone: 800-588-7039

contact@bhfe.com

www.bhfe.com

COURSE INFORMATION

Course Title: *Practice Issues: Compilation and Review Update #312724*

Including SSARS Nos. 21-26 (Item 31 and 31-E)

Recommended number of continuing education credit hours for this course:

In accordance with the standards of the National Registry of CPE Sponsors), CPE credits have been granted based on a 50-minute hour.

CPA: 20 (Accepted in all states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration:

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Public Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE .51PSR

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

Course Description

The objective of this course is to inform the reader of the various changes made to the compilation and review standards by the AICPA's Accounting and Review Services Committee (ARSC), and to address practice issues related to compilation and review engagements.

The first section of this course consists of an overview of SSARS No. 21, as amended by SSARS Nos. 22 through 26, and addresses the three types of engagements that can be performed under the SSARSs: a preparation of financial statements engagement, a compilation engagement, and a review engagement. There is also a discussion of the new Quality Management (QM) Standards in SSARS No. 26.

The remainder of the course consists of practice issues in compilation and review engagements. Topics include a discussion of an accountant's responsibility for fraud, internal control and going concern, representation letters for review engagements, personal financial statements, tax-basis financial statements, legends on financial statements, accountant's liability in compilation and review engagements, saving time in engagements, ethics and independence issues, and more. The focus of the course is to identify, recognize and recall the rules pertaining to various pronouncements, including those related to recent developments.

Course Content

Publication/Revision date: 2/7/2024

Author: Steven C. Fustolo, CPA

Final Exam (online): One hundred questions (multiple choice)

Program Delivery Method: QAS Self-Study (interactive)

Subject Codes/Field of Study: Auditing

Course Level, Prerequisites, and Advance Preparation Requirements

Level: Overview. This program is appropriate for professionals at all organizational levels.

Prerequisites: General understanding of compilation and review standards.

Advance Preparation: None

Instructions for Taking This Course

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- You must complete this course within one year of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- Log in to your secure account at www.bhfe.com. Go to "My Account."
- A passing grade of at least **70%** is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

LEARNING OBJECTIVES

After reading the course material, you will be able to:

- Identify some of the changes in SSARS No. 21, as amended, that are and are not carried over from auditing standards
- Identify engagement types that are and are not authorized under SSARS No. 21
- Recall whether the preparation of financial statements standard is an attest or nonattest service
- Recognize the term that is assigned to engagements performed on the cash, tax and regulatory bases of accounting
- Recognize a criterion for an accountant to perform a preparation engagement
- Recall whether a preparation engagement under AR-C 70 is subject to peer review
- Identify whether a report is required in a preparation of financial statements engagement under AR-C 70
- Recognize what the reporting requirements are, if any, when a "no assurance" legend is omitted from prepared financial statements under the AR-C 70 standards
- Recognize an acceptable location in which to place the description of a special purpose framework in a preparation of financial statements engagement
- Identify where to disclose GAAP departures in a preparation of financial statements engagement
- Recognize whether an accountant and a client must sign an engagement letter for a preparation of financial statements engagement under AR-C 70
- Recall the objective of a compilation engagement under AR-C 80 of SSARS No. 21
- Identify some procedures that must be performed in a compilation engagement under AR-C 80 of SSARS No. 21
- Recognize some of the changes made to the compilation report under SSARS No. 21 including those related to special purpose frameworks and GAAP departures, among others
- Recall how an accountant should report when there is a lack of independence in a compilation engagement
- Identify who should sign a representation letter in a review engagement
- Recognize a procedure that should be done when performing analytical procedures in a review engagement
- Identify which party is responsible for determining that engagement team members have appropriate competence and capabilities to perform a SSARS engagement
- Identify one of the requirements in SSARS No. 24 when reporting on an international financial reporting framework
- Identify the reporting options for controllers who seek to issue financial statements
- Recognize the accountant's responsibility for reporting fraud in compilation and review engagements
- Identify the types of analytical procedures that can and cannot be used in a review engagement
- Recognize certain terms used as the basis for evaluating going concern in a review engagement
- Identify factors that may or may not suggest there is a potential going-concern problem in a compilation or review engagement
- Identify the period of time that defines "reasonable period of time" in going concern
- Recognize the threshold to evaluate an Altman Z Score
- Identify an example of a deferred M-1 that is eliminated by tax-basis financial statements
- Recognize some of the general rules for tax-basis financial statements

- Identify the options available to report on supplementary information in a compilation or review engagement
- Recognize the general disclosure rules when issuing a compilation report on a specified element
- Identify when a management representation letter is required and some general rules pertaining to such letters
- Identify a prescribed form and the options for reporting on personal financial statements
- Identify examples of simpler reporting options to issuing GAAP financial statements
- Identify provisions to incorporate into engagement letters to protect the accountant against liability claims
- Recognize the privity standard as it relates to the accountant's liability to third parties
- Recognize the general rules to maintain independence when an accountant performs non-attest services for an attest client
- Identify when independence is impaired in certain situations in which an accountant performs nonattest services for an attest client

ABOUT THE AUTHOR

STEVEN C. FUSTOLO, CPA

Mr. Fustolo is a partner with the Boston CPA firm of James J. Fox & Company. He is a frequent lecturer and author of numerous tax and accounting issues affecting closely held businesses. An AICPA author, Mr. Fustolo's articles have been featured in *The Practical Accountant* and other publications. He is the author of numerous books and publications including: *Practice Issues: Compilation and Review*, *Accounting and Auditing Reference Guide*, *Everything You Never Wanted to Know About GAAP*, *Enron: Fraud, Deception and the Aftermath*, *FASB Review for Industry*, *Current Developments: Accounting and Financial Reporting*, *Making Money with Special Engagements*, *Understanding the Variable Interest Entity Rules*, *FASB, SSARS and SAS Update and Review*, *Tax Basis Accrual Financial Statements*, *Accounting for the New Lease Standard*, and numerous other books and manuals that have been published by Practitioners Publishing Company (PPC) and Commerce Clearing House (CCH). Mr. Fustolo's recent best-selling courses entitled *The Impact of the Tax Cuts and Jobs Act on GAAP and Financial Reporting*, *Implementing the New Revenue Standard (ASC 606)- Guidance for Private Companies*, and *Accounting and Financial Reporting for COVID-19 and the CARES Act*, have received accolades from the financial media. Mr. Fustolo is the recipient of several Outstanding Discussion Leader awards from many professional organizations including the New York and Florida Societies of CPAs. Mr. Fustolo's course entitled *FASB, SSARS and SAS Update and Review* continues to be regarded as one of the top live CPE programs in the country today with ratings that average 4.91 on a scale of 5.0. He speaks regularly for professional groups including being a guest lecturer at the AICPA Advanced Accounting and Auditing Technical Symposium. Mr. Fustolo is the recipient of the Elijah Watts Sells Award (AICPA) and Silver Medal (Massachusetts) for scores received on the CPA Examination.

Practice Issues- Compilation and Review Update- 2024

Table of Contents

SSARS Nos. 21-26	12
I. Overview of the New Standards- SSARS Nos. 21-26	12
A. Issued	12
B. Effective Date	12
C. Objective	12
D. Background.....	13
II. AR-C Section 60- General Principles for SSARSs.....	18
A. Introduction.....	18
B. Key Changes Made in AR-C 60	19
C. General Requirements for Performing SSARS Engagements- AR-C 60	19
REVIEW QUESTIONS	24
SUGGESTED SOLUTIONS.....	25
III. AR-C Section 70- Preparation of Financial Statements	27
A. Introduction.....	27
B. Scope of AR-C 70.....	27
C. Summary of a Preparation of Financial Statements Engagement.....	33
D. General Rules -Preparation Engagement Under AR-C 70	35
E. Specific Rules for Preparing Financial Statements per AR-C 70	36
F. Documentation in a Preparation Engagement	47
G. Engagement Letter- Preparation of Financial Statements Engagement	48
H. Exhibit —Illustrative Engagement Letter - Preparation Engagement.....	49
I. Illustrative Financial Statements -AR-C 70	51
REVIEW QUESTIONS	62
SUGGESTED SOLUTIONS.....	65
IV. AR-C Section 80- Compilation Engagements.....	69
A. Introduction.....	69
B. Scope of AR-C 80- Compilation Engagements	69
C. Objective of a Compilation Engagement.....	69
D. Requirements- Compilation Engagements- AR-C 80	70
E. Engagement Letter- Compilation	71
F. Compilation Procedures	76
G. The Accountant’s Compilation Report.....	77

H. Examples of the Accountant’s Compilation Reports on Financial Statements	92
I. Documentation in a Compilation Engagement	96
REVIEW QUESTIONS	97
SUGGESTED SOLUTIONS.....	100
V. AR-C Section 90: Review of Financial Statements.....	104
A. Introduction.....	104
B. Scope of AR-C 90- Review Engagements.....	105
C. Objective	106
D. Requirements for Performing a Review Engagement Under AR-C 90.....	106
E. Communication with Management and Those Charged with Governance.....	110
F. Understanding of the Industry	111
G. Knowledge of the Entity	112
H. Designing and Performing Review Procedures	112
I. Materiality in a Review Engagement (NEW per SSARS No. 25).....	113
J. Analytical Procedures	117
K. Inquiries of Management (NEW per SSARS No. 25).....	119
L. Related Party Transactions.....	123
M. Accountant Becomes Aware of Material Misstatements (NEW per SSARS No. 25).....	123
N. Reconciling the Financial Statements to the Underlying Accounting Records.....	125
O. Evaluating Review Evidence Obtained from the Procedures Performed.....	125
P. Written Representations in a Review Engagement	126
REVIEW QUESTIONS	134
SUGGESTED SOLUTIONS.....	136
Q. Reporting on the Financial Statements	138
R. Review Documentation.....	166
REVIEW QUESTIONS	168
SUGGESTED SOLUTIONS.....	170
VI. SSARS No. 26: Quality Management for an Engagement Conducted in Accordance With Statements on Standards for Accounting and Review Services.....	173
A. General	173
B. Overview of SSARS No. 26	177
C. SSARS No. 26 Amendments to AR-C 60 of SSARS No. 21:.....	179
D. Changes made to AR-C 60 regarding Quality Management of a SSARS Engagement.....	180
E. SSARS No. 26 Amendments to AR-C 70 - Preparation of Financial Statements.....	187
F. SSARS No. 26 Amendments to AR-C 80 - Compilation Engagements.....	187
G. SSARS No. 26 Amendments to AR-C 90 - Review of Financial Statements.....	188

H. SSARS No. 26 Amendment to AR-C 90 – Review Engagement Letter	188
REVIEW QUESTIONS	190
SUGGESTED SOLUTIONS.....	191
VII. AR-C Section- Special Considerations—International Reporting Issues	192
REVIEW QUESTIONS	196
SUGGESTED SOLUTIONS.....	197
PRACTICE ISSUES- COMPILATION AND REVIEW.....	198
VIII. Practice Issues- Part 1	198
A. Controllers Issuing Financial Statements	198
B. Distributing Draft Financial Statements	211
C. Consideration of Fraud in a Compilation and Review Engagement.....	212
D. Analytical Procedures in a Review Engagement.....	224
E. Using Staff in a Compilation or Review Engagement	227
F. Titles on Compilation and Review Reports- SSARS No. 21	227
G. Legends on Compiled or Reviewed Financial Statements	228
H. Going Concern: Compilation and Review Engagements-SSARS Nos. 25 and 24	231
I. Responsibility for Incomplete Information- Compilation Engagement.....	248
REVIEW QUESTIONS	250
SUGGESTED SOLUTIONS.....	253
J. Using Tax-Basis Financial Statements for Engagement Profitability	258
REVIEW QUESTIONS	293
SUGGESTED SOLUTIONS.....	294
K. An Accountant’s Name in a Written Document or Communication Containing Unaudited Financial Statements.....	296
L. Reporting Responsibility Related to the Statement of Retained Earnings.....	297
M. Reporting on Comprehensive Income.....	303
N. Dates on Reports.....	309
O. Supplementary Information Reporting.....	311
P. Communications Between Predecessor and Successor Accountants.....	339
Q. Selected Information- Substantially All Disclosures Required by GAAP Are Not Included	347
R. Gathering Review Evidence Under SSARS No. 21	351
REVIEW QUESTIONS	356
SUGGESTED SOLUTIONS.....	358
IX. Practice Issues- Part 2.....	361
A. Restricting the Use of an Accountant’s Compilation or Review Report.....	361
B. Reporting of Specified Elements, Accounts, or Items of a Financial Statement.....	364

C. Management Representation Letter- Review Engagement.....	374
D. Applicability of Auditing Standards to the SSARSs	389
E. Reconciling the Financial Statements to the Underlying Accounting Records	390
REVIEW QUESTIONS	391
SUGGESTED SOLUTIONS.....	393
F. Personal Financial Statements and Prescribed Forms	396
G. Financial Statements Submitted Electronically	412
REVIEW QUESTIONS	414
SUGGESTED SOLUTIONS.....	415
H. Simplifying the Reporting Process	417
I. Squeezing the Heck Out of a Review Engagement: The 25-Hour Review	423
J. Designing Effective Engagement Letters	432
K. Liability to Accountants Who Perform Bookkeeping Services.....	448
L. Risk of Open-Ended and Multi-Year Engagement Letters	453
M. Avoid Being Sued and Increase Billing-The Likeability and Communication Factors	455
N. Definition of a Financial Statement Versus Trial Balance	457
O. Reporting on a Tax Return	461
P. Consulting Services and SSARS No. 21	465
Q. Emphasis-of-Matter and Other-Matter Paragraphs in a Compilation Report on Financial Statements That Omit Substantially All Disclosures	465
R. Responsibility to Third Parties: The Privity Standard	467
S. Providing Records to a “Dead-Beat” Client.....	470
T. Number of Days Test on Trade Receivables.....	472
REVIEW QUESTIONS	474
SUGGESTED SOLUTIONS.....	476
X. Ethics and Independence Rules- SSARS Engagements	479
A. Overview of the Independence Rules in ET 1.295	479
B. Discussion of the THREE SAFEGUARDS.....	482
C. Performing Bookkeeping Services for an Attest Client.....	499
D. Tax Compliance and Tax Preparation Services, including Payroll Services.....	507
E. Investment Functions Performed for the Client.....	517
F. Appraisal, Valuation and Actuarial Services	518
G. Information Systems- Design, Installation, or Integration Services.....	522
H. Forensic Accounting Services	525
I. Assisting Attest Clients With Implementing Accounting Standards	527
J. Other Management Functions.....	529

K. Acting as a Trustee 531

L. Miscellaneous Independence Issues..... 533

REVIEW QUESTIONS 534

SUGGESTED SOLUTIONS..... 537

Glossary 541

Index 545