



SSARS NO. 21 – CLARIFIED, REVISED AND APPROVED FOR REVIEWS, COMPILATIONS AND ENGAGEMENTS TO PREPARE FINANCIAL STATEMENTS

By Jerome R. Reutzel, CPA, MBT

Recently, the AICPA Accounting and Review Services Committee issued **SSARS No. 21**, which revises the standards for reviews, compilations and engagements to prepare financial statements. In addition, there are implementation changes in SSARS 21. This article provides an overview of the new standard.

New guidance for preparing financial statements without a compilation report

SSARS 21 provides CPAs the opportunity to prepare financial statements without the burden of submitting a compilation report. The standard is designed to be a better fit for accountants using electronic or cloud-based services with clients, or firms that may work with clients remotely. In SSARS 21, the preparation of financial statements is separated from the reporting on these statements. This means a compilation report is based solely on whether the CPA was engaged by the client to prepare one.

SSARS 21 consists of four sections:

Section 60: General principles for engagements performed – This section revises the professional responsibilities when performing review and compilation engagements and preparing financial statements to reflect the changes made in Sections 70 and 80.

Section 70: Preparation of financial statements – Section 70 provides guidance for accountants engaged to prepare financial statements but not engaged to perform an audit, review or compilation on those statements.

What does this mean for the services we provide:

- An engagement letter is still required for preparing financial statements, signed by the accountant and the client's management.
- If there is to be no compilation engagement, then each page of the financial statement must include language stating no assurance is being provided. Examples of such language include, "No assurance is provided on these financial statements," or "These financial statements have not been subjected to an audit or review or compilation engagement, and no assurance is provided on them."¹
- If an accountant cannot include a statement on each page of the financial statements as described above,

then a disclaimer must be issued clarifying that no assurance is being provided. An example of a disclaimer would read, "The accompanying financial statements of XYZ Company as of and for the year ended December 31, 20XX, were not subjected to an audit, review, or compilation engagement by me and, accordingly, I do not express an opinion, a conclusion, nor provide any assurance on them."² A signature line including the city, state and date would follow the disclaimer.

- This is a nonattest service so independence does not need to be determined by the accountant if they are engaged to prepare only financial statements.

Section 80: Compilation engagements – Provides guidance when an accountant is engaged by the client to perform a compilation on financial statements.

Impact to services provided:

- This section eliminates the original submission requirement. CPAs no longer need to determine if they "prepared and presented" the financial statements to the client.
- The engagement letter should state that the CPA will perform a compilation of financial statements, and be signed by both the accountant and the client's management.
- Compilation engagements require a report, just as before, but **there is a language change** to make the report more streamlined compared to review and audit reports. An example of a compilation report prepared in accordance with GAAP:

"Management is responsible for the accompanying financial statements of XYZ Company, which comprise the balance sheets as of December 31, 20X2 and 20X1 and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I (We) have performed compilation engagements in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I (We) did not audit or review the financial statements nor was (were) I (we) required to perform any procedures to verify the accuracy or completeness of the information

¹ AICPA, "SSARS No. 21 Statements on Standards for Accounting and Review Services: Clarification and Recodification." October 2014.

² AICPA, "SSARS No. 21 Statements on Standards for Accounting and Review Services: Clarification and Recodification." October 2014.

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provided by management. Accordingly, I (we) do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.”³

- A financial statement that an accountant is engaged to prepare (but not compile) and is not intended for third-party use would fall under the guidance provided in Section 70.

Section 90: Review engagements – This section clarifies the requirements and guidance for review engagements and redrafts the review literature in SSARS 19, with few changes.

SSARS 21 may be implemented now

SSARS 21 is effective for engagements on financial statements for periods ending on or after Dec. 15, 2015. However, early implementation is permitted and can be done on a case-by-case basis.

Please contact Jerome Reutzel at 952-844-2521 if you have questions.

³ AICPA, “SSARS No. 21 Statements on Standards for Accounting and Review Services: Clarification and Recodification.” October 2014.

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