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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC’s Guide to Compilation and Review Engagements

Fortieth Edition (May 2018)

General Update Features

The following are some of the features of the 2018 Edition of *PPC’s Guide to Compilation and Review Engagements*:

- **SSARS No. 24, Omnibus Statement on Standards for Accounting and Review Services—2018.** In May 2018, the ARSC issued SSARS No. 24, *Omnibus Statement on Standards for Accounting and Review Services—2018*. Among other things, SSARS No. 24 adds AR-C 100, *Special Considerations—International Reporting Issues*, and expands the requirements related to going concern and other accountants in review engagements. Your *Guide* has been updated throughout for the applicable provisions of SSARS No. 24, and all AR-C references have been revised as needed. Dual guidance is provided where appropriate.
- **AICPA Guide: Preparation, Compilation, and Review Engagements.** Your *Guide* has been fully updated throughout to incorporate the revised guidance in the 2017 edition of the AICPA Guide.
- **AICPA Alert: Developments in Preparation, Compilation, and Review Engagements.** Your *Guide* has been updated throughout to incorporate the practice issues discussed in the newest edition of the AICPA Alert.
- **Updated Illustrative Financial Statements.** The Illustrative financial statements at Appendix 5A have been updated for ASU 2014-09, *Revenue From Contracts With Customers*.
- **Recently Issued Professional Pronouncements.** Practice aids and guidance throughout your *Guide* have been updated for all recently issued professional pronouncements, including the new ethics interpretation on hosting services, to make sure you apply the latest guidance in your engagements. This interpretation is likely to affect many accounting firms. For example, if your firm keeps an attest client’s depreciation schedules on its servers and is responsible for storing hard copy versions of the data, this is considered a hosting service and your firm would not be independent with respect to the attest client. ET 1.295.143, *Hosting Services*, is effective September 1, 2018.
- **New Disclosure Checklists.** We have completely updated your disclosure checklists (lists of primary disclosure requirements for financial statements of for profit nonpublic entities as required by GAAP) for changes in requirements of the professional standards to help ensure that your clients’ financial statements are accurate and complete.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
General	1. Updated the references and guidance throughout for SSARS No. 24 <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i> .	Throughout
	2. Updated to fully incorporate guidance in the 2017 edition of the AICPA Guide: <i>Preparation, Compilation, and Review Engagements</i> .	Throughout
	3. Added notes, as applicable, for the Tax Cuts and Jobs Act (TCJA).	Throughout
CHAPTER 1 Background Information	1. Updated the list of SSARS for the issuance of SSARS No. 24, <i>Omnibus Statement on Standards for Accounting and Review Services—2018</i> .	Paragraphs 100.6–.7
	2. Updated the SSARS Interpretations discussion for the withdrawal of Interpretation No. 1 of AR-C 90.	Paragraph 100.8
	3. Added a discussion of SSARS No. 22, <i>Compilation of Pro Forma Financial Information</i> .	Section 102
	4. Added a discussion of SSARS No. 23, <i>Omnibus Statement on Standards for Accounting and Review Services—2016</i> .	Section 103
	5. Updated the discussion of recent SSARS developments to include the issuance of SSARS No. 24 and a list of current ARSC projects	Section 104
	6. Noted that preparing financial statements that omit substantially all disclosures does not reduce the accountant's responsibility to prepare the financial statements appropriately.	Paragraph 105.16; Appendix 1B
	7. Updated the international compilation and review standards for the new AR-C 100 added by SSARS No. 24.	Section 107
CHAPTER 2 Engagement Administration	1. Added a discussion on written agreements other than engagement letters.	Paragraph 204.3
	2. Added a discussion on addressing the engagement letter.	Paragraph 204.10
	3. Added a discussion on the expected form and content of the report in the engagement letter.	Paragraphs 204.12–.14
	4. Expanded the discussion on engagement letter clauses that specify a time limitation.	Paragraph 204.32
	5. Revised the discussion on risk avoidance.	Paragraphs 210.10–.13
	6. Updated the discussion on the AICPA's Peer Review Integrated Management Application (PRIMA) system.	Paragraph 211.30
	7. Updated the listing of issues noted in recent peer review reports.	Paragraph 211.46
	8. Added a discussion on the new independence interpretation on hosting services.	Paragraphs 214.24–.26
	9. Added a practical consideration on addressing the engagement letter.	Appendixes 2A–2E and 2P–2R
	10. Added a practical consideration about adding supplementary information to the report form and content discussion in the engagement letter, if applicable.	Appendixes 2B–2E and 2Q–2R

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	11. Redesigned the “Routing Instructions for Processing Financial Statements” form to simplify the form and include a section for financial statements drafted and typed by the firm and another section for financial statements printed from the accounting software.	Appendix 2I
	12. Updated the list of accounting and auditing reference literature.	Appendix 2K
	13. Revised the instructions to discuss the various parts included in the form.	Appendix 2O
	14. Added a practical consideration on ET 1.295.143, <i>Hosting Services</i> .	Appendix 2O
CHAPTER 3 Compilation Procedures and Checklists	1. Added a practical consideration on ET 1.295.143, <i>Hosting Services</i> .	Appendixes 3A-1 and 3B
CHAPTER 4 Review Procedures and Checklists	1. Added a discussion on the going concern consideration guidance in SSARS No. 24.	Section 405
	2. Expanded the using the work of other accountants guidance for SSARS No. 24.	Section 411
	3. Added an additional required representation for going concern.	Paragraph 413.2; Appendix 4A
	4. Added a discussion on management’s responsibility for the representations when management was not present for all the period(s).	Paragraph 413.8
	5. Added a representation about the company’s books and records being complete.	Appendix 4A
	6. Added a practical consideration on ET 1.295.143, <i>Hosting Services</i> .	Appendix 4B
	7. Added a step on communicating with other accountants to ascertain their understanding of the ethical requirements relevant to the engagement and the other accountants are independent.	Appendix 4B
	8. Added a new step on the SSARS No. 24 required going concern procedures.	Appendix 4B
	9. Added a step on adding a going concern emphasis-of-matter paragraph to the review report.	Appendix 4D
	10. Added some additional common ratios that might be used in analytical procedures.	Appendix 4E
CHAPTER 5 Form and Presentation of Financial Statements	1. Updated the discussion on debt classification.	Paragraph 505.5
	2. Expanded the guidance on business combinations, consolidations, and controlling financial interests.	Paragraph 518.1–.8
	3. Updated the Illustrative financial statements for ASU 2014-09, <i>Revenue From Contracts With Customers</i> .	Appendix 5A
	4. Added FASB ASC 606 disclosure illustrations.	Appendix 5B
	5. Updated the disclosure checklists for recently issued pronouncements.	Appendixes 5C-1 and 5C-2

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 6 Reporting on Compiled or Reviewed Financial Statements	1. Added a discussion of AR-C 100, <i>Special Considerations—International Reporting Issues</i> .	Paragraphs 600.6–.15
	2. Added a discussion on modifying the compilation report.	Paragraph 601.3
	3. Revised the review report requirements for the changes made to AR-C 90.39 by SSARS No. 24.	Paragraph 602.1
	4. Expanded the discussion on change in prior-period financial statements when there is a continuing accountant.	Paragraph 616.39
	5. Revised the discussion on the use of additional, emphasis-of-matter, and other-matter paragraphs.	Paragraphs 620.18–.28
	6. Revised the discussion on going-concern uncertainties for SSARS No. 24.	Paragraphs 620.38–.39
	7. Revised the discussion on reporting when other accountants have audited or reviewed a component for SSARS No. 24.	Paragraphs 620.53–.55
	8. Added a note about an EOM paragraph being required by SSARS No. 24 when there is substantial doubt about the entity's ability to continue as a going concern.	Appendix 6D-1
CHAPTER 8 Financial Statements Presented in Accordance With a Special Purpose Framework	1. Added a practical consideration on addressing the engagement letter.	Appendixes 8A-1 and 8A-2
	2. Added a practical consideration about adding supplementary information to the report form and content discussion in the engagement letter, if applicable.	Appendixes 8A-1 and 8A-2
	3. Added an additional required representation for going concern.	Appendix 8B
	4. Added a representation about the company's books and records being complete.	Appendix 8B
CHAPTER 9 Personal Financial Statements	1. Added a practical consideration about adding supplementary information to the report form and content discussion in the engagement letter, if applicable.	Appendixes 9A-1 and 9A-2
	2. Added an additional required representation for going concern.	Appendixes 9E-1 and 9E-2
	3. Added a representation about the company's books and records being complete.	Appendixes 9E-1 and 9E-2
CHAPTER 11 Partnerships	1. Added an additional required representation for going concern.	Appendix 11F
CHAPTER 12 S Corporations	1. Expanded the discussion on the accumulated adjustments account (AAA).	Paragraphs 1202.2 and 1206.2