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**LIST OF SUBSTANTIVE CHANGES AND ADDITIONS**

***PPC’s Guide to Compilation and Review Engagements***

**Forty-fourth Edition (May 2022)**

**Highlights of this Edition**

The following are some of the important new features of the 2022 Edition of *PPC’s Guide to Compilation and Review Engagements*:

- **AICPA Guide: *Preparation, Compilation, and Review Engagements*.** Your *Guide* is updated throughout to incorporate the revised guidance in the August 2021 edition of the AICPA Guide.
- **New Practice Aids.** Your *Guide* includes the following new practice aids:
  - An engagement letter to report on comparative financial statements, with a review report for the current year and a compilation report for the prior year.
  - A review report on comparative financial statements with prior year restated for the correction of an error.
- **Recently Issued Professional Pronouncements.** Practice aids and guidance throughout your *Guide* are updated for all recently issued professional pronouncements to make sure you apply the latest guidance in your engagements.
- **Data Analytics in Review Engagements.** We added a discussion about the use of data analytics in review engagements.
- **Updated Disclosure Checklists.** We 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.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<b>General</b>	<b><u>Chapter</u></b>	<b><u>Substantive Changes and Additions</u></b>	<b><u>Reference</u></b>
		1. Updated for changes to the AICPA Guide: <i>Preparation, Compilation, and Review Engagements</i> .	Throughout
		2. Updated websites.	Throughout

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
<b>VOLUME 1</b>		
CHAPTER 1 Background Information	1. Updated the discussion on the status of the Proposed Statements of Quality Management Standards (SQMS) as well as the related proposed SSARS, which the Auditing Standards Board (ASB) and Accounting and Review Services Committee (ARSC), respectively, voted to approve as final at their May 2022 meetings.	Paragraphs 105.5–.6
CHAPTER 2 Engagement Administration	1. Noted the status of the Proposed SQMS. 2. Noted the expected issuance of a proposed SSARS that will remove the requirement to agree on the terms of the engagement prior to performing the review engagement. 3. Expanded the discussion on subsequent discovery of facts existing as of the date of the accountant’s report. 4. Updated for the issuance of the clarified peer review standards. 5. Added an engagement letter to report on comparative financial statements, with a review report for the current year and a compilation report for the prior year. 6. Added a discussion on recapture of erroneous COVID-19 Employee Retention Credit to the list of general observations in Part I and a discussion of other income (relating to COVID-19 relief grants) to the discussion of observations of account balances, classes of transactions, and disclosures in Part II.	Paragraph 200.4 Paragraphs 204.7 and 211.2 Appendixes 2C, 2E, 2R, and 2S Paragraphs 207.1, 207.3, and 207.5 Paragraphs 211.30, 211.34–.35, 211.39–.41, and 211.45 Appendix 2S Appendix 2T
CHAPTER 3 Compilation Procedures and Checklists	1. Added a discussion on misleading financial statements.	Paragraph 301.9
CHAPTER 4 Review Procedures and Checklists	1. Noted the expected issuance of a proposed SSARS that will remove the requirement to agree on the terms of the engagement prior to performing the review engagement. 2. Expanded the discussion on developing expectations in the chapter and the instructions to the financial statement materiality worksheet. 3. Added a discussion on data analytics. 4. Expanded the discussion on determining and documenting materiality. 5. Expanded the discussion on accumulating passed adjustments. 6. Added new Step 22 to document documentation requirements that were previously in a practical consideration.	Paragraph 400.2 Paragraph 404.17b Appendix 4H Paragraphs 404.26–.34 Paragraph 411.1 Paragraph 412.4 Appendix 4B

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
<b>VOLUME 2</b>		
CHAPTER 5 Form and Presentation	<ol style="list-style-type: none"> <li>Added a discussion about the current expected credit loss model established by ASU 2016-13, <i>Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i>.</li> <li>Expanded the list of ASUs amending ASU 2016-02, <i>Leases (Topic 842)</i>.</li> <li>Updated the financial statements and disclosures for recent pronouncements.</li> <li>Updated the disclosure checklists for new pronouncements.</li> <li>Clarified and consolidated certain steps.</li> </ol>	<p>Paragraphs 515.3–.5</p> <p>Paragraph 516.1</p> <p>Appendixes 5A and 5B</p> <p>Appendix 5C</p> <p>Appendix 5D</p>
CHAPTER 6 Reporting	<ol style="list-style-type: none"> <li>Expanded the discussion on reporting on financial statements that omit substantially all disclosures.</li> <li>Expanded the discussion on alternatives when faced with a GAAP departure.</li> <li>Expanded the notes to the exhibit on reporting on comparative financial statements of nonpublic companies.</li> <li>Updated the discussion on COVID-19 implications on going concern.</li> <li>Expanded the discussion on the effect on an engagement when the assessment about whether the reporting entity is the primary beneficiary of a variable interest entity is not made.</li> <li>Added a review report on comparative financial statements, with each period reviewed by the continuing accountant and the prior year restated for the correction of an error.</li> </ol>	<p>Paragraph 606.4</p> <p>Paragraph 608.8</p> <p>Exhibit 6-1</p> <p>Paragraph 620.30</p> <p>Paragraph 620.99</p> <p>Appendix 6C-14</p>
<b>VOLUME 3</b>		
CHAPTER 8 Cash and Tax Basis	<ol style="list-style-type: none"> <li>Added an illustrative note presenting an accounting policy for income taxes.</li> </ol>	Paragraph 811.3
CHAPTER 9 Personal Financial Statements	<ol style="list-style-type: none"> <li>Noted the expected issuance of a proposed SSARS that will remove the requirement to agree on the terms of the engagement prior to performing the review engagement.</li> <li>Added a representation about related parties and related party relationships and transactions.</li> </ol>	<p>Appendix 9A-2</p> <p>Appendix 9E-1</p>
CHAPTER 10 Proprietorships	<ol style="list-style-type: none"> <li>Updated the illustrative financial statement to adopt FASB ASU 2016-02, <i>Leases (Topic 842)</i>.</li> </ol>	Appendix 10A-1
<b>VOLUME 4</b>		
CHAPTER 11 Partnerships	<ol style="list-style-type: none"> <li>Updated the illustrative financial statement to adopt FASB ASU 2016-02, <i>Leases (Topic 842)</i>.</li> </ol>	Appendix 11A-2

