ADVANCED COMPILATION AND REVIEW ENGAGEMENT ISSUES: STRIKING THE RIGHT BALANCE BETWEEN COMPLIANCE, CLIENT SERVICE, AND PRACTICE MANAGEMENT
## Table of Contents

Independence Considerations for Attest Services ....................................................... 1

Performing Accounting Services ................................. 2

Performing Compilation Engagements ....................... 3

Performing Review Engagements .............................. 4

Special SSARS Considerations ............................... 5

Financial Analysis ................................................. 6

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Independence Considerations for Attest Services

Learning objectives

I. AICPA Code of Professional Conduct

A. Background
   1. Distinguishing mark of the profession
   2. AICPA membership
   3. Uniform Accountancy Act
   4. Compliance with all applicable regulations and standards

B. Code components
   1. Principles of Conduct
   2. Rules of Conduct
   3. Interpretations of Rules of Conduct
   4. Ethics Rulings

C. Principles of Conduct
   1. Responsibilities
   2. Public interest
   3. Integrity
   4. Objectivity and independence
   5. Due care
   6. Scope and nature of services

II. General and technical standards

A. General standards
   1. Professional competence
   2. Due professional care
   3. Planning and supervision
   4. Supervision of technical specialist on management consulting services engagements
   5. Sufficient relevant data

B. Compliance with standards

C. Accounting principles
   1. Departures from the applicable financial reporting framework
   2. Employees’ responsibility for conformity with the applicable financial reporting framework

III. Independence

A. Applicable regulatory bodies

B. Independence defined
   1. The Conceptual Framework
   2. Professional judgment required
   3. Steps in the Conceptual Framework
   4. Ethical conflict resolution

IV. Performance of both nonattest and attest services

A. Management responsibilities

B. Advisory services

C. Appraisal, valuation, and actuarial services

D. Benefit plan administration

E. Bookkeeping, payroll, and other disbursements

F. Business risk consulting

G. Corporate finance consulting

H. Executive or employee recruiting

I. Forensic accounting

J. Information systems design, implementation, or integration

K. Internal audit

L. Investment advisory or management

M. Tax services

Exhibit 1: General requirements exercise

Exhibit 2: Nonattest services exercise
V. Suggested answers to Exhibits

Exhibit 1: General requirements exercise 23
Exhibit 2: Nonattest services exercise 25
Performing Accounting Services

Learning objectives  

I. Accounting services  
   A. Overview of risk management  
      1. Expectation gap  
      2. Measures to prevent malpractice claims  
   B. Engagement planning and administration  
      1. Evaluating prospective clients  
      2. Danger signs related to client acceptance or continuation  

II. Performing accounting or bookkeeping services  
   A. Due professional care  
   B. Supervision of staff  
   C. Change in scope of service  
   D. Submission of financial statements  
      1. Factors to consider when determining whether CPA prepared financial statements  
      2. Proposed Statements on Standards for Accounting and Review Services -- Preparation of Financial Statements  
      3. Proposed Statements on Standards for Accounting and Review Services -- Association with Financial Statements  
   E. Reporting on the application of requirements of an applicable financial reporting framework  
      1. Overcoming presumptive requirement to consult with accountant  
      2. Documenting conclusions  
   F. Workpaper documentation for accounting services  
   G. Engagement completion  
   H. Special considerations when preparing financial statements  
   I. Client withdrawal and termination  
      1. Situations which may result in withdrawal  
      2. Incomplete or otherwise unsatisfactory information  
      3. Termination letter  
   J. Fraud and illegal acts  
      1. Misappropriation of assets  
      2. Illegal acts  
      3. Basis for conclusions  
   K. Internal control  
   L. Communication  

Exhibit 1: Accounting services case studies  

III. Establishing terms with the client  
   A. Accounting services  
      1. Clarify management’s responsibilities  
      2. Allow for withdrawal from engagement  
   B. Applying principles of written understanding required for attest services  
      1. Hazards of self-renewing engagement letters  
      2. Benefits of engagement letters in malpractice claims  
      3. Principles from audit engagement letters that may apply  
   C. Changes in nature of the engagement  
   D. Obtaining an understanding with management and those charged with governance  
   E. Common engagement letter provisions  
      1. Identify client by specific name  
      2. Disclaim responsibility for detecting fraud and illegal acts  
      3. Verify client authorized representatives  
      4. Include estimated start date and filing or other deadline  
      5. Inform client of nonpayment policy  
   F. Gaining an understanding regarding nonattest services  
      1. Engagement objectives may vary from client to client  
      2. Responsibilities when nonattest services provided
Performing Compilation Engagements

Learning objectives 1
I. Statements on Standards for Accounting and Review Services 1
   A. Background 1
   B. Important relevant terms 1
   C. Defining professional requirements 2
   Exhibit 1: Activities impacted by the SSARS 3
II. Compilations 5
   A. Basis of a compilation 5
      1. Financial statements defined 5
      2. Compilation accountant overall responsibilities 5
      3. Specific exclusions to compilation requirements 5
      4. Must comply with Code of Professional Conduct 6
      5. How different from review or audit 6
   B. Establishing an understanding with the client 6
      Exhibit 2: Summary of compilation engagement procedures 8
         1. For new clients 8
         2. Obtain a written understanding with the client about the engagement 8
         3. Prior to the start of the compilation engagement 8
         4. Acquire a general understanding of the following: 8
         5. Read the financial statements 8
         6. Consider whether all disclosures required by the applicable financial reporting framework are provided 8
         7. Consider whether the financial statements contain departures from the applicable financial reporting framework 8
         8. Bring incomplete, inaccurate, or otherwise unsatisfactory information to management’s attention 8
         9. Consider withdrawing if necessary corrections are not made 9
         10. Determine whether the firm is independent 9
         11. Each page 9
         12. Sign and date the report using the date the compilation was completed 9
   C. Suggested working papers 10
   D. Special reporting considerations 10
      1. GAAP vs. special purpose framework 10
      2. One financial statement or multiple financial statements 10
      3. Substantially omitting all disclosures 11
      4. Material measurement or disclosure departures 11
      5. Supplementary information 12
      6. Required supplementary information 12
      7. Report dating 12
      8. General vs. restricted use 12
   E. Independence requirements 13
      Exhibit 3: Sample compilation report 14
   F. Proposed SSARS -- Compilation Engagements 16
      Exhibit 4: Illustrative examples of proposed SSARS -- New compilation report format 17
III. Management-use-only compilations 18
   A. Defined 18
   B. Requirements for applicability of service 18
   C. Establishing understanding with client 18
   D. Basis of accounting 19
   E. Notating restriction 19
   F. Distribution to appropriate parties 19
IV. Prescribed form compilations 20
   Exhibit 5: Compilation engagement procedures quiz 21
V. Suggested answers to Exhibit 23
   Exhibit 5: Compilation engagement procedures quiz 23
Performing Review Engagements

Learning objectives  

I. Basis for a review  
   A. Objective of a review engagement  
   B. Limited assurance that there are no material modifications  
   C. Level of accountant's knowledge  
   D. Performing bookkeeping services  
      Exhibit 1: Sample review inquiries and analytical procedures  

II. Analytical procedures in a review  
   Exhibit 2: Documenting review results  
   Exhibit 3: Determining strength -- Performing analytics for differing purposes exercise  
   Exhibit 4: Establishing expectations based on current period operating environment exercise  

III. Review documentation requirements  
   A. Documentation suggested elements  
   B. Minimum documentation key points  
   C. Client representation letter  
      Exhibit 5: Sample review report  
      Exhibit 6: Proposed SSARS -- Sample revised review report  
   D. Review reporting considerations  
      1. One statement vs. multiple financial statements  
      2. Material departure from applicable financial reporting framework  
      3. GAAP vs. special purpose framework  
      4. Dating of report  
      5. Supplementary information  
   E. Independence considerations  

IV. Suggested answers to Exhibits  
   Exhibit 2: Documenting review results  
   Exhibit 3: Determining strength -- Performing analytics for differing purposes exercise  
   Exhibit 4: Establishing expectations based on current period operating environment exercise  

Exhibit 1: Sample review inquiries and analytical procedures  
Exhibit 2: Documenting review results  
Exhibit 3: Determining strength -- Performing analytics for differing purposes exercise  
Exhibit 4: Establishing expectations based on current period operating environment exercise  
Exhibit 5: Sample review report  
Exhibit 6: Proposed SSARS -- Sample revised review report  

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Special SSARS Considerations

Learning objectives 1

I. Materiality 1
   A. Context of particular engagement and circumstances 1
   B. Needs of users as a group 1
   C. Emphasis of matters 1

II. SSARS special reporting and communication issues 2
   A. Performing more than one level of service 2
   B. Stepping-down engagements 2
   C. Consent to use accountant’s name with financial statements 2
   D. Subsequent discovery of facts that question reliability of report 3
   E. Specified elements, accounts, or other items of financial statements 3
   F. GAAP vs. special purpose framework 3
   G. Specifying country of origin 3
   H. Issuance of draft financial statements 3
   I. CPA performing controllership or other management services 4
   J. Communicating to client management and others regarding fraud and illegal acts 4
   K. When to withdraw 5

III. Common deficiencies noted in SSARS engagements 5
   A. Reports 5
   B. Financial statement measurement, presentation, and disclosure 5
   C. SSARS procedures and documentation 6

IV. Considerations related to international standards in compilations and reviews 6
   A. Financial statements prepared in accordance with IFRS 6
   B. Substantially omitting all disclosures in a compilation 6
   C. Preparing financial statements using a jurisdictional variation of IFRS 7
   D. Preparing financial statements in conformity with both IFRS and a variation of IFRS 7
   E. Performing a compilation using international compilation standards 7
   F. Performing a review using international review standards 7
   G. Preparing single year financial statements 7

V. Required supplementary information in compilations and reviews 8
   A. Accountants’ responsibilities under the SSARS for required supplementary information 8

Exhibit 1: Examples SSARS report modifications related to required supplementary information 9

VI. Proposed SSARS 10
   A. Proposed SSARS -- Framework for Performing and Reporting 10
   B. Proposed SSARS -- Review of Financial Statements 10
   C. Proposed SSARS -- Compilation of Pro Forma Financial Information 10
   D. Proposed SSARS -- Engagements on Prospective Financial Information 10

VII. Audits 11
   A. Basis for an audit 11
   B. Phases of an audit 11
   C. Why get an audit? 11

Exhibit 2: Sample independent auditor’s report 13
Exhibit 3: Scope of services quiz 14

VIII. Suggested answers to Exhibit 15
   Exhibit 3: Scope of services quiz 15
Financial Analysis

Learning objectives 1
I. Financial statement analysis 1
   A. Ratio analysis overview 1
   B. Profitability ratios 2
      1. Gross Profit Margin 2
      2. Return on Investment (Assets) 2
      3. Return on Equity 3
      4. DuPont Method 3
   C. Liquidity ratios 4
      1. Current Ratio 4
      2. Quick Ratio 4
      3. Average Collection Period or Days Sales Outstanding 5
      4. Receivables Turnover Ratio 5
      5. Days Sales in Inventory 5
   D. Operating efficiency ratios 6
      1. Inventory Turnover 6
      2. Fixed Asset Turnover 6
   E. Leverage ratios 6
      1. Debt Ratio 6
      2. Long-Term Debt Ratio 7
      3. Debt-to-Equity Ratio 7
      4. Interest Coverage or Times Interest Earned 8
   F. Common-size statements 8
      Exhibit 1: Financial statement analysis case study 9
II. Suggested answers to Exhibit 12
      Exhibit 1: Financial statement analysis case study 12