



AR-C Section 80 - Compilation Engagements

Course #2162A

Business

2 Credit Hours

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AR-C SECTION 80 - COMPILATION ENGAGEMENTS

This course covers the objective of a compilation engagement under AR-C 80 of SSARS No. 21. and how an accountant should report on a disclaimer of supplementary information in a compilation engagement

LEARNING ASSIGNMENTS AND OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.

SUBJECTS

AR-C Section 80- Compilation Engagements

Study the course materials from pages 1 to 51

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

Objectives:

- To recall the objective of a compilation engagement under AR-C 80 of SSARS No. 21
- To identify how an accountant should report on a disclaimer of supplementary information in a compilation engagement

NOTICE

This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

This course and test have been adapted from supplemental material and uses the materials entitled Practice Issues – Compilation and Review Update- 2020 (Including SSARS Nos. 21-24) © 2020 and 2019 Fustolo Publishing LLC. Displayed by permission of the author. All rights reserved.

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EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2** CPE hours.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

TABLE OF CONTENTS

AR-C Section 80- Compilation Engagements	1
A. Introduction	1
B. Effective Date	3
C. Scope of AR-C 80- Compilation Engagements	3
D. Objective of a Compilation Engagement	6
E. Definitions	6
F. Requirements- Compilation Engagements- AR-C 80	7
G. Engagement Letter- Compilation	9
H. Understanding of the Entity's Financial Reporting Framework- Compilation Engagement	14
I. Compilation Procedures	14
J. The Accountant's Compilation Report	16
K. Elimination of Management-Use Only Financial Statements	30
L. Examples of the Accountant's Compilation Reports on Financial Statements	31
M. Documentation in a Compilation Engagement	39
N. Change from an Audit or Review Engagement to a Compilation Engagement	39
Test Your Knowledge	41
Solutions and Suggested Responses	44
Glossary	47
Index	51
Final Exam Copy	52

AR-C SECTION 80- COMPILATION ENGAGEMENTS

A. INTRODUCTION

AR-C 80, *Compilation Engagements*, is part of SSARS No. 21 and encompasses the new compilation standards that replace the previous compilation rules found in AR 80 of SSARS No. 19.

AR-C 80 states the objective of a compilation engagement is:

To apply accounting and financial reporting expertise to assist management in the presentation of financial statements and report without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.

In general, a compilation engagement is one in which an accountant uses his or her expertise to “*read and report*” on financial statements.

A compilation engagement is not a preparation of financial statements engagement.

Following is a summary of the key changes that the new AR-C 80 makes to the previous AR 80 compilation standards.

Element	Previous AR 80	New AR-C 80 (SSARS 21)
Definition of a compilation engagement	Assist management in presenting financial information in the form of financial statements	Apply accounting and financial reporting expertise to assist management in the presentation of financial statements and compilation report
Triggers for performing a compilation engagement	Accountant performs a compilation engagement if: <ul style="list-style-type: none">• Accountant is engaged (hired) to perform a compilation engagement, or• Accountant <u>submits</u> financial statements to client or third party¹¹	Accountant performs a compilation engagement <u>only if</u> : <ul style="list-style-type: none">• Accountant is engaged (hired) to perform compilation engagement Existing submission trigger is eliminated
Preparation of financial statements	Preparation is <u>implicitly</u> part of a compilation engagement	Preparation is <u>explicitly separated</u> from a compilation engagement

11. Pre SSARS No. 21's definition of submission is when an accountant prepares financial statements and presents them to a client or a third party.

Element	Previous AR 80	New AR-C 80 (SSARS 21)
Management-use financial statements (SSARS 19)	<p>Management-use only financial statements <i>without a report</i> may be issued to management only</p> <p>Accountant may restrict who receives financial statements</p>	<p>Management-use only financial statements are eliminated</p> <p>Compilation engagement always requires a report</p> <p>Financial statements belong to management. Accountant cannot restrict who the financial statements are issued to by agreement¹²</p>
Engagement letter	Engagement letter or written contract does not have to be signed	Engagement letter or written contract now must be signed by both the accountant and management
Independence	<p>Lack of independence is disclaimed in report</p> <p>Accountant may disclose reason(s) for lack of independence if all reasons are disclosed</p>	<p>Lack of independence is disclaimed in report</p> <p>Accountant may disclose reason(s) for lack of independence if all reasons are disclosed</p>
Report	<p>Standard three paragraphs</p> <p>Has title</p> <p>Has salutation (addressee)</p> <p>Management may elect to omit substantially all disclosures and statement of cash flows</p> <p>Accountant's city and state are not required</p>	<p>Abbreviated one paragraph</p> <p>No title</p> <p>No salutation (addressee)</p> <p>Management may elect to omit substantially all disclosures and statement of cash flows</p> <p>Accountant's city and state must be identified in the report¹³</p>
Legend on financial statement pages	<p>Legend <i>required</i>: either</p> <p><i>"See Accountant's Compilation Report"</i> or</p> <p><i>"See Independent Compilation Report"</i></p>	<p>Legend <i>not required</i> (optional):</p> <p><i>"See Accountant's Compilation Report"</i></p> <p><i>"See Independent Accountant's Compilation Report"</i> or</p> <p><i>"See Accountant's Report"</i></p>

12. The accountant can restrict who the financial statements are issued to by agreement with the client in an engagement letter.
13. Accountant's city and state may be listed on the accountant's letterhead.

Element	Previous AR 80	New AR-C 80 (SSARS 21)
Income tax basis financial statements	OCBOA includes “income tax basis” financial statements	Special purpose framework includes “tax-basis” financial statements
Emphasis-of-matter paragraph	Emphasis-of-matter paragraph permitted in certain cases	Carries over previous emphasis-of-matter paragraph and introduces new “other-matter” paragraph from auditing standards

B. EFFECTIVE DATE

AR-C 80 is effective for compilations of financial statements for periods ending on or after December 15, 2015. Early implementation is permitted.

C. SCOPE OF AR-C 80- COMPILATION ENGAGEMENTS

AR-C 80 provides the following scope for engagements that are covered under the compilation rules.

1. An engagement is subject to the compilation rules found in AR-C 80 only when the accountant is engaged (hired) to perform a compilation of:
 - Financial statements
 - Prospective financial information, including forecasts and projections
 - Pro forma financial information, and
 - Other historical financial information.
2. In addition to the list of engagement types found in Paragraph 1 above, a compilation engagement may be performed on the following historical financial information:
 - Specified elements, accounts, or items of a financial statement, such as schedules of rentals, royalties, profit participation, or provision for income taxes
 - Supplementary information, and
 - Required supplementary information.
3. The previous rule that a compilation engagement is required if an accountant submits financial statements is eliminated.