New AICPA standard focuses on international reporting issues, going-concern considerations

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In May, the Accounting and Review Services Committee of the American Institute of CPAs (AICPA) issued Statement on Standards for Accounting and Review Services (SSARS) 24. SSARS 24 amends the requirements for compilation and review engagements, and it will be effective for periods ending on or after June 15, 2019, with the exception of a minor technical correction to AR-C Section 90.39, *Accountant's Review Report*, which was effective upon issuance.

SSARS 24, an omnibus standard, brings two significant changes to the profession. First, it adds a new section to the codification: AR-C Section 100, *Special Considerations—International Reporting Issues*, which addresses reports prepared in accordance with the financial reporting framework of another country, and compilation and review engagements performed in accordance with a set of compilation and review standards other than SSARS. AR-C Section 100 does not apply to financial statements prepared in accordance with International Financial Reporting Standards (IFRS), but it does apply to country-specific accounting principles such as UK Generally Accepted Accounting Principles (GAAP), or Italian GAAP. Second, the standard adds requirements with respect to the accountant's assessment, when performing a review engagement, of whether the entity is able to continue as a going concern.

When accepting a compilation or review engagement under Section 100, an accountant is required to determine whether the financial reporting framework selected by management is acceptable. To make this determination, the accountant must understand the reason for which the financial statements are being prepared and whether the financial reporting framework to be applied will represent the financial statements fairly, who the intended users are, and the steps management took to determine that the financial reporting framework is acceptable. In addition, if the accountant is performing a compilation or review engagement on financial statements prepared in accordance with a financial reporting framework generally accepted in another country, the accountant is required to gain an understanding of that financial reporting framework.

If financial statements will not be used in the United States, an accountant may use the other standard's report form and content, such as those prescribed under International Standard on Related Services (ISRS) 4410, *Engagements to Compile Financial Statements*, or International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*. The accountant should refer to AR-C Section 100 when the financial statements are to be used solely outside the United States. If the financial statements will be used in the United States and other jurisdictions, the engagement must be performed in accordance with SSARS. If the report indicates that the engagement is to be performed in accordance with SSARS and another set of engagement standards (e.g., ISRE 2400), the accountant must comply with all of the requirements of both sets of standards in their entirety. Therefore, the accountant should be cognizant that substantive differences may exist between SSARS and other compilation or review standards in both engagement performance and reporting.

Accountant's going-concern assessment

SSARS 24 implements revised requirements and provides additional guidance when considering whether the entity is able to continue as a going concern during a review engagement. The standard requires the accountant to obtain written representation that management has disclosed to him or her all of the relevant information in connection with the going-concern assumption. Additionally, the accountant's review report must contain an emphasis-of-matter paragraph if the accountant believes that there is substantial doubt about the entity's ability to continue as a going concern for a "reasonable period of time." SSARS 24 adopts the Financial Accounting Standards Board (FASB) definition of reasonable period of time, which is within one year after the financial statements are issued or are available to be issued.

SSARS 24 clarifies the requirements of the accountant according to the financial reporting framework used. If the financial reporting framework, such as GAAP, requires management to evaluate the entity's ability to continue as a going concern, certain review procedures must be performed to ensure that the going concern is properly disclosed. The review procedures address the appropriateness of the going-concern assumption; management's evaluation of whether there are conditions or events that raise substantial doubt; management's plans to alleviate the substantial doubt, and evaluation of the likely success of those plans; and the appropriateness of the related disclosures within the financial statements.

If the financial reporting framework does not require management to evaluate the entity's ability to continue as a going concern, such as when the cash or tax basis of accounting is used, but the accountant becomes aware of events or conditions that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, the accountant is required to inquire of management regarding the appropriateness of the basis of accounting and management's plans for addressing conditions or events that raise substantial doubt about the entity's ability to continue as a going concern. The accountant must also consider the adequacy of disclosures in the financial statements.

Finally, SSARS 24 precludes the accountant from referencing the work of other accountants in the accountant's review report if the other accountants' audit or review report is restricted as to its use.

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