**Marquette University**

**e-Publications@Marquette**

***Accounting Faculty Research and Publications/College of Business Administration***

***This paper is NOT THE PUBLISHED VERSION*.**

Access the published version via the link in the citation below.

*National Public Accountant*, Vol. 26, No. 6 (June 1981): 16-21. [Publisher link](https://www.nsacct.org/home). This article is © National Society of Accountants and permission has been granted for this version to appear in [e-Publications@Marquette](http://epublications.marquette.edu/). National Society of Accountants does not grant permission for this article to be further copied/distributed or hosted elsewhere without the express permission from National Society of Accountants.

SSARS No.2: Reporting on Comparative Financial Statements

Robert B. Yahr

Don E. Giacomino

The public's perception of a public accountant’s work was originally confined to his role as an auditor. The tax and management consulting services, later developed by Pas, have only in recent years begun to command the attention of the public.

An additional expansion of the accountant’s work has led to his rendering increased amounts of non-audit accounting services. Recognizing the many different perceptions that individuals currently have of the work done by the accountant in these engagements, the American Institute of Certified Public Accountants recently created the Accounting and Review Service (ARS) Committee. This committee has been given the responsibility of establishing reporting standards for these types of services: to date the ARS Committee has issued two pronouncements governing these engagements.

# SSARS No. 1

Statement on Standards for Accounting and Review Services No. 1 has two objectives. First it differentiates between two types of non-audit services offered non­public entities-compilations and reviews. Second it illustrates the accountant's reports that are appropriate for each of the above services.

SSARS No. I defines a compilation as an engagement in which the accountant merely present, his client’s financial information in the form of financial statements. The accountant is under no obligation to make inquiries or perform other procedures to verify this information, although he may do such work as preparing adjusted entries.

In contrast. a review is a more sophisticated non audit engagement. It is designed for the accountant toexpress limited assurance that no material modifications are necessary for the financial statements to be in accordance with generally accepted accounting principles. Thus, theaccountant may employ various inquiry and analytical procedures. such as examining minutes and comparing present financial statements with those of the prior period

Different reports are to be issued by an accountant for each of these services . In a compilation, the accountant’s report should describe the purpose of that engagement stressing that neither an opinion nor other forms of assurance is being provided. When a review is being performed, the report should emphasize the purpose of the review and the type of procedure employed by the accountant. It must also stress that the accountant is unaware of any material modifications needed to make the accompanying statements be in conformity with GAAP.

# SSARS No. 2

While SSARS No 1 provides guidance for those engagements in which the financial statements, of one periodare being provided, it defers to SSARS No 2 any guidelines on the presentation of comparative financial statements. The purpose of this article is to summarize the reporting requirements mandated under SSARS No. 2 for two basic occasions--when the same accountant has performed the engagement in each year and when different accountants have performed the engagement in successive years.

Adeficiency of SSARS No. 2 is that the reporting requirements for the accountant are not presented in an orderlyfashion: instead, readers of that statement must sometimes search to find the requirements fitting a particular situation**.** Using four tables, this article rearranges those SSARSNo. 2 guidelines into a more logical and understandableformat. In the interest of space, however, the accountant'sreports needed in each instance are not reproduced.Instead, this article merely cites the paragraph numbersof SSARS No. 2 in which illustrative reports are presented.

The reporting requirements when the same accountant participatesin successive engagements are summarized in TableI. As indicated, SSARS No . 2 applies only when a compilationor review is undertaken in the current period. If an audit **is** performed in the current period, then the guideIines for comparative statements specified in applicable StatementsAuditing Standards govern the form and contentofthe accountant’s report.

Table II specifies the various options available to a successoraccountant when a predecessor has either compiledor reviewed the prior year statements. In each case thepredecessor may reissue his prior year’s report if he complies with certain provisions. Otherwise. the successor accountant must refer to the report from the prior accountant on his compilation or review activity or the successor mayperform an examination for the prior period.

A more detailed summary of the procedures to be followed by both predecessor and successor accountants is contained in Table Ill. As is evident from that table. there are anumber of different steps that the predecessor must followif he is to reissue his report. Given these numerous requirements, it seems unlikely that a predecessor will often reissue that report. Instead. it appears that the successoraccountant must often choose between referring to predecessor’s report or performing a compilation, review,or audit of the prior period statements.

Table IV summarizes two situations which the accountant may occasionally face-the revision of prior period statements and a change in the status of an entity between public and non-public. In addition, it also provides alternatives for the accountant when either he or a predecessor hasissued a disclaimer of opinion for a non-public entity or periods ending on or after July 1. 1979.

# Summary

SSARS No. 2 sets forth standards for reporting on comparative financial statements of a non-public entity. Although this statement provides considerable detail for most situations the accountant is likely to encounter, the format of SSARS No. 2 may prove difficult to follow. This developed a comprehensive. systematic presentation of SSARS No. 2 in Tables I through IV. These tables should serve as a highly useful and easily comprehensive reference for the accountant.

***''SSARS No. 2 applies only when a compilation or review is undertaken in the current period.''***

The ARS Committee apparently undertook a thorough study of the possible situations which may occur. Consequently, SSARS No. 2 more clearly defines the accountant's responsibilities and will likely reduce the accountant's legal risks when these standards are followed. In addition, the requirements, when known by the client’s may increase the client's confidence in the accountant's services.

The authors could take issue with several aspects of SSARS No. 2. However, except for the structure of the statements, our disagreements are minor and are not within the intended scope of this article. Many of these differences have been addressed by several members of the ARS Committee and are presented at the end of SSARS No. 2.

Despite the trend toward increasing proliferation of standards in accounting specific guidelines for accounting services other than audits have been long overdue. SSARS Nos. 1 and 2 are positive steps toward the development of a comprehensive set of standards for these services.

TABLE I: REPORTING STANDARDS WHEN THERE IS A CONTINUING ACCOUNTANT

|  |  |  |
| --- | --- | --- |
| **Prior Period** | **Current Period** | **Standards** |
| Client-prepared | Compilation or Review | Prior period statements must be on separate pages, accountant must explain that he assumes no responsibility for them and that he did no compilation. review. or audit. |
| Compilation | Compilation | Identical report must be presented for both years (sample report in paragraph 9). Additionally, the compiled statements must either include substantially all disclosures for each period or must exclude such disclosures for all periods presented. |
| Compilation | Review | Report must be presented which details work done for both years (sample report in paragraph 10). |
| Compilation | Audit | SAS guidelines apply. |
| Review | Compilation | Accountant must issue compilation report for current period and describe responsibility assumed for prior period statements (example in paragraph 12) or he should combine compilation report for current year with reissued review report on prior year. |
| Review | Review | Identical report must be presented for both years (sample report in paragraph 9). |
| Review | Audit | SAS guidelines apply |
| Audit | Compilation | Accountant must issue compilation report for current period *and*   * Reissue prior period audit report. *or* * Include separate paragraph in compilation report describing responsibility assumed for prior period statements (example in paragraph 28). |
| Audit | Review | Accountant must issue review report for current period. *and*   * Reissue prior period audit report. *or* * Include separate paragraph in review report describing responsibility assumed for prior period statements (example in paragraph 28). |
| Audit | Audit | SAS guidelines apply. |

TABLE II: SUMMARYOF REPORTING STANDARDS WITH PREDECESSOR AND SUBSEQUENT ACCOUNTANTS

|  |  |  |
| --- | --- | --- |
| **Predecessor’s Work in Prior Work Period** | **Current Period** | **Standards** |
| Compilation | Compilation | Predecessor - may reissue report at client's request if he complies with provisions of paragraphs 20 to 24\*. *or*  Successor - add paragraph stating that prior period statements were compiled by other accountants (example in paragraph 19). *or*  Successor - perform compilation, review. *or* audit of prior period statements and report on them accordingly. |
| Compilation | Review | Predecessor - may reissue report at client's request if he complies with provisions of paragraphs 20 to 24\* *or*  Successor - add paragraph stating that prior period statements were compiled by other accountants (example in paragraph 19).*or*  Successor - perform compilation, review, *or* audit of prior period statements and report on them accordingly. |
| Compilation | Review | Predecessor - may reissue report at client's request if he complies with provisions of paragraphs 20 to 24\*. *or*  Successor - add paragraph stating that prior period statements were reviewed by other accountants (example in paragraph 18). *or*  Successor - perform compilation, review, or audit of prior period statements and report on them accordingly. |
| Review | Compilation | Predecessor - may reissue report at client's request if he complies with provisions of paragraphs 20 to 24\*. *or*  Successor - add paragraphs stating that prior period statements were reviewed by other accountants (example in paragraph 18). *or*  Successor - perform compilation, review, or audit of prior period statements and report on them accordingly. |

\* These provisionsare described in detail in Table Ill.

TABLE Ill: PRECEDESSOR'S COMPILATION OR REVIEW REPORT

|  |  |
| --- | --- |
| **Situation A: The Predecessor Does Not Reissue the Report\*** | **Situation B: The Predecessor Reissues the Report\*** |
| The successor may do A or B below. | The predecessor should do each of the following: |
| A. Refer to the predecessor's report in a separate paragraph (example in paragraph 19) which includes: | A. Decide if report is still appropriate by considering: |
| 1. A statement that predecessor did the compilation or review on prior period statements.  2. The date of the predecessor's report.  3. A description of the standard form of disclaimer or limited assurance in the predecessor's report and  4. A description (or direct quotation) of report modifications or emphasis of matters in prior period statements. | 1. Current presentation.  2. Subsequent events not previously known. and  3. Changes in the statement that require additions or deletions of modifications to the standard report. |
| B. Perform a compilation, review or audit on the prior statements and report accordingly. | B Before reissuing the report. he should |
|  | 1. Read current period statement.  2. Read successor's report.  3. Compare the original prior period statements with the current presentations of current and prior periods  4. Obtain a letter from the successor disclosing awareness of any matters affecting the prior periods.  5. Not refer to the successor· s letter or the successor's report. |
|  | C If predecessor becomes aware of information affecting prior period statements or his report, he should: |
|  | 1. Make inquiries or perform analytical procedures and  2. Perform other procedures considered necessary in the circumstances (example in paragraph 22). |
|  | D. If the prior period statements require revision, the predecessor should: |
|  | 1. Follow requirements in paragraphs 14 and 15 (discussed in Table IV).  2. “Dual date” the report (example in paragraph 23). with his responsibility for subsequent events limited to the specific event mentioned in the note.  3. Obtain a written statement from the former client setting forth new information and its effect on the prior period statements. |
|  | E. If the predecessor is unable to carry, out the above procedures (A through D): |
|  | 1. He should not reissue the report, and  2. He may wish to consult with his attorney. |

\*If the prior period statements have been changed, the predecessor or successor should report on them as restated. The predecessor should follow the requirements as stated in Situation B. The successor should comply with SSARS No. 1 (or perform an audit) regarding the prior period statements. If the restatement does not involve a change in accounting principle or its application, the accountant (predecessor or successor) may wish to include an explanatory paragraph.

TABLE IV: MISCELLANEOUS REPORTING REQUIREMENTS

|  |  |  |  |
| --- | --- | --- | --- |
| **Prior Period (as Originally Issued)** | **Prior Period (Revised)** | **Current Period** | **Standards** |
| Not in accordance with GAAP (including omission of disclosures) | Revised to conform with GAAP | In accordance with GAAP | Accountant should restate prior year statements and mention change in accountant's report (example in paragraph 15). |
| Reviewed statements in accordance with GAAP (including substantially all disclosures) | Not in accordance with GAAP (omits substantially all disclosures) | Compiled statements that omit substantially all disclosures | Accountant may give report on comparative compiled financial statements if he includes paragraph detailing nature of his previous service (sample report in paragraph 30). |
| Non-public Entity | ― | Public Entity | Accountant *must not issue* compilation or review report nor *refer* to that *report* in current financial statements. Instead, he must see applicable SAS for guidance. |
| Public Entity |  | Non-public Entity | If statements of prior period are audited, see Table I for a summary of reporting requirements |
| A continuing accountant issued a disclaimer opinion for a non-public entity for periods ending on or after 7/1/79. |  |  | Continuing accountant should reissue his prior report, *or* he should include in his report a description of responsibility assumed on the prior statements (example in paragraph 34). or he should comply with SSARS No. 1 compilation or review standards. |
| A predecessor accountant issued a disclaimer opinion for a non-public entity for periods ending on or after 7/1/79. |  |  | Predecessor accountant may reissue his prior report, *or* he should comply with SSARS No. 1 compilation or review standards *or*  Successor should refer to predecessor's previous report, *or* he should comply with SSARS No. 1  compilation or review standards. |