PacificCPE

COURSE
20451A

SSARS Standards Overview and General Principles

Get up to speed on SSARS Nos. 21–27 and the foundational standards that govern compilation and review engagements. This course walks through AR-C Section 60's general principles and AR-C Section 70's requirements for preparing financial statements, including key rules around legends, disclosures, and engagements performed alongside compilations, reviews, or audits. Ideal for practitioners who want a solid grounding in the current SSARS framework before diving into specific engagement types.

CREDIT HOURS 2 | FIELD OF STUDY ACCOUNTING | EXAM QUESTIONS 10

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LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Identify some of the changes in SSARS No. 21, as amended, that are and are not carried over from auditing standards.
- Identify engagement types that are and are not authorized under SSARS No. 21.

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SECTION 1: SSARS NOs. 21-27

Chapter Objective

After completing this chapter, you should be able to:

- Identify some of the changes in SSARS No. 21, as amended, that are and are not carried over from auditing standards.
- Identify engagement types that are and are not authorized under SSARS No. 21.

I. OVERVIEW OF THE NEW STANDARDS- SSARS NOs. 21-27

A. ISSUED

SSARS No. 21: October 2014

SSARS No. 22: September 2016

SSARS No. 23: October 2016

SSARS No. 24: May 2019

SSARS No. 25: March 2020

SSARS No. 26: June 2022

SSARS N. 27: March 2025

B. EFFECTIVE DATE

SSARS No. 21 was effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2015.

The changes found in SSARS No. 22 were effective for *compilation report*s on pro forma financial information dated on or after May 1, 2017.

The changes found in SSARS No. 23 were effective upon issuance in October 2016. The exception is that the revisions related to the preparation of prospective financial information were effective for prospective financial information prepared on or after May 1, 2017. The revisions related to the compilation of prospective financial information were effective for compilation reports on prospective financial information dated on or after May 1, 2017.

For SSARS No. 24, all but one of the changes were effective for compilations and reviews of financial statements for periods ending on or after June 15, 2019.

For SSARS No. 25, the amendments are effective for engagements performed for periods ending on or after December 15, 2021. Early implementation is permitted.

Most of the amendments made to AR-C 60, 70, 80, and 90 by SSARS No. 26 are effective for engagements performed in accordance with SSARSs for periods beginning on or after December 15, 2025. The exception is that a single amendment to AR-C 90 included as paragraph 5 of SSARS No. 26 is effective upon issuance in June 2022.

For SSARS No. 27, the changes are effective for the preparation of financial statements for periods ending on or after December 15, 2026. Early implementation is permitted.

C. OBJECTIVE

The objective of SSARS Nos. 21-25 is to reissue the compilation and review standards under the Accounting and Review Services Committee's (ARSC's) Clarity Project.

SSARS No. 26 and SSARS No. 27 offer targeted changes to the SSARSs. SSARS No. 26 introduces the new Quality Management (QM) Standards for engagements performed under the SSARSs.

SSARS No. 27 clarifies the applicability of AR-C 70, Preparation of Financial Statements to financial statements prepared as part of a consulting services engagement.

D. BACKGROUND

In October 2014, the AICPA's Accounting and Review Services Committee (ARSC) issued SSARS No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification.*

The issuance of SSARS No. 21 represents the culmination of the ARSC's Clarity Project under which it clarifies and revises the previous standards for reviews and compilations found in SSARS No. 19, and introduces a new preparation of financial statements engagement.

In May 2010, the ARSC approved and initiated a Clarity Project to revise existing compilation and review standards in the Codification of Statements on Standards for Accounting and Review Services (AR sections of the AICPA's Professional Standards). That project resulted in the issuance of SSARS No. 21.

In issuing SSARS No. 21, the ARSC followed a similar approach taken by the ASB to simplify existing compilation and review standards. The ARSC's approach incorporated into SSARS No. 21 some, but not all, of the conventions that were used within the reissued auditing standards, such as:

- Establishing objectives for each clarified standard section
- Including a definitions section, where relevant, in each new standard section
- Separating requirements from application and other explanatory material

- Numbering application and other explanatory material paragraphs using a prefix and presenting them in a separate section that follows the requirements section, and
- Enhancing the readability of the SSARS by using formatting techniques, such as bulleted lists.

The ARSC did not include in SSARS No. 21 specific application guidance for governmental entities and smaller, less complex entities, both of which were included in the revised auditing standards.

SSARS No. 21, as amended, consists of four AR sections as follows:

- AR-C Section 60, General Principles for Engagements Performed in Accordance with Statements on Standards for Accounting and Review Services
- AR-C Section 70, Preparation of Financial Statements
- AR-C Section 80, Compilation Engagements
- AR-C Section 90, Review of Financial Statements

These four sections replace the previous AR sections with an "AR-C" to differentiate the new sections from the previous ones. Sometime after the effective date of SSARS No. 21, the "C" will be dropped from the new sections.

The AICPA has issued an implementation guide for SSARS No. 21 titled *Preparation, Compilation, and Review Engagements*. The Guide is considered an interpretation publication issued in accordance with AR-C 60, General Principles for Engagements Performed in Accordance with Statements on Standards for Accounting and Review Services. As an interpretive publication, the guide provides recommendations on the use of the SSARSs. If an accountant does not apply the guidance within the Guide, the accountant should be prepared to explain how he or she complied with the provisions within the Guide. Throughout this course, the author references the AICPA Guide as the "Guide," or the "AICPA Guide."

Following is a summary of the sections found in SSARS No. 21, as amended by SSARS Nos. 22-25.

AR-C Section (SSARS Nos. 21-25)	Description of Changes
AR-C 60, General Principles for Engagements Performed in Accordance with Statements on Standards for Accounting and Review Services	The new AR-C 60 includes the general principles for engagements performed under the SSARSs and replaces existing AR 60.
AR-C 70, Preparation of Financial Statements	AR-C 70 is a new section that contains the requirements and guidance for performing a preparation of financial statements engagement.
AR-C 80, Compilation Engagements	New AR-C 80 replaces existing AR 80 with respect to compilation engagements.
AR-C 90, Review of Financial Statements	New AR-C 90 replaces existing AR 90 with respect to review engagements.

The Key Changes Made by SSARS No. 21

SSARS No. 21 made several important changes to previous compilation and review standards which are summarized below:

1. Introduced new general principles for performing engagements under the SSARSs in newly issued AR-C Section 60
2. Introduced new rules and guidance for engagements to prepare financial statements in newly issued AR-C Section 70
3. Made changes to existing compilation engagement requirements in new AR-C Section 80
4. Made changes to review engagement requirements in new AR-C Section 90

Subsequent to the issuance of SSARS No. 21, the ARSC issued SSARS Nos. 22 through 27, which are summarized below.

2016 Issuance of SSARS No. 22: Compilation of Pro Forma Financial Information

In September 2016, the ARSC issued SSARS No. 22, Compilation of Pro Forma Financial Information. SSARS No. 22 represents the final portion of the ARSC Clarity Project, after which all previous compilation and review standards have been replaced by SSARS Nos. 21 (as amended by SSARS No. 23) and SSARS No. 22.

SSARS No. 22 replaces previous AR 120, Compilation of Pro Forma Financial Information, with AR-C 120, and reflects the new clarity format.

2016 Issuance of SSARS No. 23, Omnibus Statement on Standards for Accounting and Review Services

In October 2016, the ARSC issued SSARS No. 23, Omnibus Statement on Standards for Accounting and Review Services- 2016, which further amended certain provisions and language found in SSARS No. 21.

2018 Issuance of SSARS No. 24, Omnibus Statement on Standards for Accounting and Review Services

In May 2018, the ARSC issued SSARS No. 24, Omnibus Statement on Standards for Accounting and *Review Services- 2018*.

SSARS No. 24 amended SSARS No. 21 and made five key changes as follows:

1. Provided a new section to address compilation and review reporting under international standards
2. Made several definitional changes to AR-C 60, General Principles for Engagements Performed in Accordance with Statements on Standards for Accounting and Review Services
3. Provided new guidance on going concern in a review engagement
4. Provided guidance on referencing the review or audit report of other accountants within a review report, and
5. Revised the review report language found in Paragraph .39 of AR-C 90 to make it consistent with the sample review reports in Exhibit C of AR-C 90.

The changes made by SSARS No. 24 are embedded within this course.

2020 Issuance of SSARS No. 25, Materiality in a Review of Financial Statements and Adverse Conclusions

In February 2020, the ARSC issued SSARS No. 25, *Materiality in a Review of Financial Statements and Adverse Conclusions*.

Effective for calendar year 2021 engagements, SSARS No. 25 makes several key changes to SSARS No. 21, as follows:

1. Consolidates certain redundant provisions and definitions in AR-C 60, General Principles for Engagements Performed in Accordance with Statements on Standards for Accounting and Review Services
2. Makes minor changes to preparation engagements with respect to when a disclaimer report may be used

3. Provides a new specific requirement in a review engagement for an accountant to determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and evaluating the results obtained from those procedures
4. Allows for an accountant to issue a review report with a modified conclusion (qualified or adverse conclusion) when financial statements are materially and/or pervasively misstated
5. Amends the Accountant's Responsibility section of the standard review report to include a statement that the accountant is required to be independent of the entity and to meet the accountant's other ethical responsibilities
6. Expands some of the guidance in review engagements related to inquiries and going concern
7. Clarifies that an accountant must obtain an engagement letter in a review engagement "prior to performing the engagement"
8. Changes some of the representations that should be included in management's representation letter in a review engagement
9. Introduces modified conclusions in a review engagement report, and
10. Expands review engagement documentation.

Issuance of SSARS No. 26: Quality Management for an Engagement Conducted in Accordance with Statements on Standards for Accounting and Review Services

In June 2022, the ARSC issued SSARS No. 26: Quality Management for an Engagement Conducted in Accordance with Statements on Standards for Accounting and Review Services.

SSARS No. 26 is one of four interrelated quality management standards issued by the Auditing Standards Board (ASB) and the Accounting and Review Services Committee as follows:

- Statement on Quality Management Standards (SQMS) No. 1, *A Firm's System of Quality Management*
- SQMS No. 2, *Engagement Quality Reviews*
- SAS No. 146, *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards*
- SSARS No. 26, *Quality Management for an Engagement Conducted in Accordance with Statements on Standards for Accounting and Review Services*

SQMS Nos. 1 and 2, SAS No. 146, and SSARS No. 26 are collectively referred to as the "quality management standards."

The new Quality Management (QM) Standards affect all firms that perform accounting and auditing engagements under the SASs, SSAEs, and SSARSs, starting in 2026.

SSARS No. 26 amends AR-C 60, 70, 80, and 90 to conform the SSARSs to the new requirements made by SQMS Nos. 1 and 2.

The SSARS No. 26 amendments:

- Enhance certain concepts related to quality management for engagements performed in accordance with SSARSs, including emphasis on the responsibilities of the engagement partner in overseeing the SSARS engagement.
- Ensure that certain concepts related to quality management, where appropriate, are consistent between auditing standards (SAS No. 146) and the SSARSs.
- Include a technical revision to paragraph .16 of AR-C 90 regarding the timing of obtaining an engagement letter to make it consistent with other SSARS sections (AR-C 70, 80, and 120), and with auditing and attestation standards.

All the amendments made by SSARS No. 26 (except paragraph .16 of AR-C 90) have a delayed effective date for SSARS engagements performed for periods beginning on or after December 15, 2025 (calendar 2026 year end engagements). The exception is that one amendment made to paragraph .16 of AR-C 90 is effective upon issuance, which is June 2022.

Changes made by SSARS No. 26- reflected in this course

SSARS No. 26 makes numerous changes to all sections of the SSARSs effective in calendar year 2026 SSARS engagements. The exception is that SSARS No. 26 makes one change to paragraph .16 of AR-C 90 with respect to the timing of when an engagement letter is required. That change is effective immediately upon issuance of SSARS No. 26 in June 2022.

In this course, the author presents the changes made in SSARS No. 26 to AR-C 70, 80, and 90 in a separate section of the course. Such SSARS No. 26 amendments are not reflected in the body of this course because they are not effective until 2026 with early application of the changes not specifically authorized by SSARS No. 26. The only change made by SSARS No. 26 that is integrated into this course is the one made to paragraph .16 of AR-C 90 because it applies immediately.

Issuance of SSARS No. 27, Applicability of AR-C Section 70 to Financial Statements Prepared as Part of a Consulting Services Engagement

In March 2025, the ARSC issued SSARS No. 27.

The objective of SSARS No. 27 is to clarify the applicability of AR-C 70, Preparation of Financial Statements to financial statements prepared as part of a consulting services engagement.

SSARS No. 27 does the following:

1. It adds language stating that the requirements of AR-C-70 are not required to be applied, (but application is not precluded, in whole or in part), when an accountant prepares financial statements or prospective financial information in any of the following situations: