PacificCPE

COURSE
21851A

SSARS 21-27: General Principles and Overview

Get up to speed on the framework behind SSARS 21-27 with this introductory course covering the new standards and the general principles outlined in AR-C Section 60. Whether you're new to compilation and review engagements or need a refresher on the foundational rules that govern SSARSs, this course lays the groundwork for understanding how the standards are structured and what they require of accounting professionals across all 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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TABLE OF CONTENTS

CHAPTER 01

Section 1.1 ..... **5**

1.01 Section I: Overview Of The New Standards 5

1.02 I. Overview Of The New Standards 5

Test Your Knowledge 19

CHAPTER 02

Section 2.1 ..... **22**

2.01 Section II: Ar-C Section 60-General Principles For Ssarss 22

2.02 I. Ar-C Section 60- General Principles For Ssarss 22

Test Your Knowledge 42

Final Exam Copy 60

Glossary 54

Index .....

Section 1.1

SECTION I: OVERVIEW OF THE NEW STANDARDS

Chapter Objective

After completing this section, 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.

I. OVERVIEW OF THE NEW STANDARDS

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 No. 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 reports 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 engagement to prepare financial statements.

In 2011, the Auditing Standards Board (ASB) reissued most of the existing auditing standards under its own Clarity Project with the issuance of SAS Nos. 122-124, which were subsequently supplemented with SAS Nos. 125-139. In issuing those clarified auditing standards, with an effective date of 2012, the ASB has had as its primary goal to make improvements to existing auditing standards. The ASB achieved that goal by establishing certain drafting standard conventions to more clearly state the auditor's objectives, and make the standards easier to read, understand and apply.

In May 2010, the ARSC approved and initiated its own Clarity Project to revise all 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 supersedes SSARS No. 19 (AR sections 60, 80 and 90) and all other previously issued compilation and review interpretations (AR) sections in AICPA Professional Standards except for AR section 120, *Compilation of Pro Forma Financial Information*. AR section 120 was superseded with the 2016 issuance of SSARS No. 22, *Compilation of Pro Forma Financial Information*.

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, entitled *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 interpretivew 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 mapping of previous AR sections in SSARS No. 19 to AR-C sections found in SSARS No. 21, as amended by SSARS Nos. 22-25.

Previous Standards (SSARS No. 19)	New AR-C Section (SSARS Nos. 21-25)	Description of Changes
AR Section 60, *Framework for Performing and Reporting on Compilation and Review Engagements*	AR-C Section 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.
NONE	AR-C Section 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 Section 80, *Compilation of Financial Statements*	AR-C Section 80, *Compilation Engagements*	New AR-C 80 replaces existing AR 80 with respect to compilation engagements.
AR Section 90, *Review of Financial Statements*	AR-C Section 90, *Review of Financial Statements*	New AR-C 90 replaces existing AR 90 with respect to review engagements.

In addition to the new standards replacing previous AR Sections 60, 80 and 90, all other existing AR sections are replaced by SSARS No. 21 except for the AR Section 120, *Compilation of Pro Forma Financial Information*,[1] as follows:

Other AR Sections Superseded by SSARS No. 21			
Previous AR Section	**Previous Title**	**Superseded by SSARS No. 21**	**Not Superseded by SSARS No. 21**
AR Section 200 (SSARS No. 2, as amended)	Reporting on Comparative Financial Statements	X	
AR Section 300 (SSARS No. 3, as amended)	Compilation Reports on Financial Statements Included in Certain Prescribed Forms	X	
AR Section 400 (SSARS No. 4, as amended)	Communications Between Predecessor and Successor Accountants	X	
AR Section 600 (SSARS No. 6, as amended)	Reporting on Personal Financial Statements Included in Written Personal Financial Plans	X	
AR Section 110 (SSARS No. 13, as amended)	Compilation of Specified Elements, Accounts, or Items of a Financial Statement	X	
AR Section 120 (SSARS No. 14, as amended)	Compilation of Pro Forma Financial Information		X Superseded by SSARS No. 22

The key changes made by SSARS No. 21:

SSARS No. 21 makes several important changes to existing compilation and review standards which are summarized below.

a. Introduces new general principles for performing engagements under the SSARSs in newly issued AR-C Section 60

AR-C 60 does the following:

- Establishes the preconditions that must be met to perform an engagement under the SSARSs
- Inserts into AR-C 60 some of the definitions found in auditing standards that are based on SQCS No. 8, *A Firm's System of Quality Control*

- Clarifies that the financial statements on which an accountant performs a SSARS engagement belong to the client, not the accountant
- Expands the guidance on selection of the applicable financial reporting framework and overall guidance as requirements that must be met to prepare financial statements
- Expands the discussion and requirement for an accountant to exercise professional judgment
- Inserts new language on engagement-level quality control and the responsibilities of an engagement partner, and
- Inserts new guidance on acceptance and continuance of client relationships and engagements.

b. Introduces new rules and guidance for engagements to prepare financial statements in newly issued AR-C Section 70

AR-C 70 does the following:

- States that a preparation of financial statements engagement applies when the accountant is engaged to prepare financial statements but is not engaged to perform an audit, review or a compilation on those financial statements
- Establishes criteria that must be met for an accountant to accept and continue client relations in a preparation of financial statements engagement
- Permits the issuance of prepared financial statements without a report provided a legend is placed on each page of the financial statements stating "no assurance" is being provided on the financial statements
- Defines a preparation of financial statements as a nonattest service
- Requires an accountant to obtain an engagement letter signed by both the accountant and the client's management
- Does not require the accountant to consider whether he or she is independent in a preparation of financial statements engagement
- Permits prepared financial statements to be issued with or without disclosures, and
- Inserts into AR-C 70 the new special purpose framework definition (including a new definition of "tax basis") that is presently found in auditing standards.

c. Makes changes to existing compilation engagement requirements in new AR-C Section 80

AR-C 80 does the following:

- Retains most, but not all, of the existing requirements for a compilation engagement
- Establishes criteria that must be met for an accountant to accept and continue client relations in a compilation engagement