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Accounting and Review Services Committee
American Institute of Certified Public Accountants
1211 Avenue of the Americas, 19th Floor
New York, NY 10036

Via email to commentletters@aicpa.org

**Re: Exposure Draft, Proposed Statement on Standards for Accounting and Review Services,
*Applicability of AR-C Section 70 to Financial Statements Prepared as Part of a Consulting
Services Engagement***

RSM US LLP (RSM) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (AICPA) Accounting and Review Services Committee's September 23, 2024, Exposure Draft, *Applicability of AR-C Section 70 to Financial Statements Prepared as Part of a Consulting Services Engagement* (the Exposure Draft). RSM is a leading provider of audit, tax and consulting services focused on the middle market.

We support the Accounting and Review Services Committee's proposal that would amend Statement on Standards for Accounting and Review Services (SSARS) No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*, as amended, AR-C section 70, *Preparation of Financial Statements*.

We believe the amendment provides a helpful clarification in the exclusion of financial statement preparation performed as part of engagements under CS Section 100, *Consulting Services: Definitions and Standards*, and would reduce confusion in the applicability of AR-C section 70 going forward. We support the proposed change as it does not appear to negatively impact the public interest. We provide additional details concerning our thoughts on this matter and the proposed revisions to paragraph .01 and the new application of paragraph .A4 in our detailed responses below.

1. Do respondents believe that it is in the public interest to explicitly exclude financial statements prepared as part of a consulting services engagement performed in accordance with CS section 100 from those engagements for which AR-C section 70 is required to be applied? Please provide your reasons for your position.

We believe the proposed change does not appear to negatively impact the public interest (as defined in ET section 0.300.030.02), as when the certified public accountant (CPA) prepares financial statements as part of either a CS Section 100 engagement or an AR-C section 70 engagement, the CPA:

- a. Accepted the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism (i.e., follow the public interest principle in ET section 0.300.030.01, *The Public Interest*) and

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- b. Will perform the engagement consistent with acceptable professional behavior with integrity, objectivity and independence and due care in accordance with ET section 0.300.070.02, *Scope and Nature of Services*.

Further, it is our experience that when financial statements are prepared as part of a consulting engagement, the financial statement preparation portion of the engagement often forms a small part or is a byproduct of the overall consulting engagement. As such, it doesn't seem appropriate to subject a small or byproduct portion of a broader engagement to more rigorous requirements than the primary engagement.

Additionally, the proposed change provides much needed clarity on a topic that has historically been inconsistently applied.

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| 2. Do respondents believe that the proposed effective date of the SSARS is appropriate? If not, why not? |
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Yes, we believe that the proposed effective date of the SSARS is appropriate.

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| 3. Do respondents believe that the proposed revisions to paragraph .01 and the introduction of new application paragraph .A4 are appropriate? If not, respondents are asked to state their reasons. |
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Yes, we believe that the proposed revisions to paragraph .01 and the introduction of new application paragraph .A4 are appropriate. However, as it relates to the revisions to paragraph .01, we believe that additional guidance would be needed to clarify the implication of applying AR-C section 70 when not required—in particular if an accountant would voluntarily apply **all** of AR-C section 70 (presumably resulting in the application of AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*, quality management standards and peer review), which we would expect to be seldom.

As such, we propose not to make the change from "does not apply" to "is not required to be applied, but application is not precluded," in "~~This section does not apply~~ **is not required to be applied, but application is not precluded**, when an accountant prepares financial statements or prospective financial information," as the use of "does not apply" in extant is familiar to accountants, is not a definitive prohibition on the voluntary application of AR-C section 70 and changing it may have unintended consequences on the extant services included in the list to which AR-C section 70 "does not apply."

Regardless of the decision to change the "does not apply" language in paragraph .01, we recommend memorializing the concept of voluntary application by including the following application paragraph immediately before the Exposure Draft's proposed paragraph .A4. The first paragraph of the application guidance has been taken and modified from the AR-C section 70 decision tree¹ published by the AICPA on June 23, 2023.

.A3A When not otherwise required to comply with this section, the accountant may determine to voluntarily apply *certain elements* required by this section, in whole or in part. The voluntary application of those elements does not create a circumstance in which *all* of this section is required to be applied. For example, if the accountant believes that an expected user or users of

¹ [Is AR-C Section 70 applicable? Yes or no. | Resources | AICPA & CIMA](#)

the entity's financial statements may believe that the accountant accepted responsibility for the preparation of financial statements, the accountant may decide to include a statement on each page of the financial statements that "no assurance is provided," which would not trigger a requirement that the accountant obtain an engagement letter for a preparation engagement as contemplated in paragraph .10 or include other elements on the face of the financial statements or in a selected note.

When not otherwise required to comply with this section, and upon further consideration of the engagement's facts and circumstances, the accountant determines to voluntarily apply *all elements* required by this section, such voluntary application creates a circumstance similar to that as if an accountant was engaged to prepare financial statements or prospective financial information. Accordingly, the accountant may need to be engaged to prepare financial statements or prospective financial information in accordance with this section.

Additionally, we recommend including the following application paragraph immediately before extant paragraph .A1 relating to the clarification of the meaning of "engaged" which has been taken and modified from the AR-C section 70 decision tree:

.A0 Being *engaged* is not the process of obtaining an engagement letter. The accountant is engaged when *hired* to prepare financial statements or prospective financial information. The engagement letter documents the understanding with management or those charged with governance, as appropriate, after being engaged.

We appreciate this opportunity to provide feedback on the Exposure Draft and would be pleased to respond to any questions you may have about our comments. Please direct any questions regarding this letter to Jacques Rossouw, Managing Director—National Professional Standards Group, at 212.372.1275, or Sara Lord, Chief Auditor, at 612.376.9572.