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# Balance *sheet*

## **A New CPA Service, Preparation of Financial Statements**

By Douglas E. Schleucher, CPA

In October 2014, the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA) released its Statement on Standards for Accounting and Review Services No. 21 (SSARS 21). The new standard clarified and revised existing standards for CPAs who perform reviews and compilations of client financial statements. SSARS 21, which became effective December 15, 2015, also introduced a new CPA service called Preparation of Financial Statements.

In response to this new service one might ask; Haven't CPAs always prepared financial statements, I thought that was their job? Of course, the answer would be yes. For years, CPAs in public practice have prepared clients' financial statements for either internal or external use or both. Accounting standards required CPAs to follow strict audit, review or compilation procedures and reporting requirements when preparing clients' financial statements. They also prohibited CPAs from preparing and issuing "plain paper" financial statements with no additional reporting.

Although the audit, review and compilation standards remain in place, this new service under SSARS 21 allows CPAs to issue their version of "plain paper" financial statements subject to certain requirements. An engagement letter is required and must be signed by both the CPA and the client. Each page of the financial statements must include a statement that "no assurance is provided" and other disclosures may be needed in certain situations. Identification of and additional reporting by the CPA firm are not required.



So yes, CPAs have and always will prepare clients' financial statements. In doing so, it is not always clear what level of assurance they are providing or what their association is with the clients' financial statements. Accounting outsourcing is a vast market where CPA firms provide a variety of services as well as assisting with the preparation of the financial statements. The new Preparation service provides another reporting option that will help clarify the CPAs role when preparing financial statements for clients.

This new service may be a viable, cost-effective alternative in certain situations. A client must consider the purpose of the financial statements and what they are needed for when determining what service best fits their need. Please contact us if you would like more information about SSARS 21 or other audit and accounting services.

Items presented are not intended to be technically complete. Additional information may be required to make an informed decision.