

December 13, 2024

Accounting and Review Services Committee
American Institute of Certified Public Accountants

Via e-mail: commentletters@aicpa-cima.com.

Dear Sir or Madam:

The Accounting and Auditing Standards Interest Group (A&ASIG) of the New Jersey Society of Certified Public Accountants (NJCPA) is pleased to offer its feedback and comments on the 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. The comments herein represent those of some of the members of the A&ASIG only and do not necessarily reflect the views of all members of the Group or NJCPA. We appreciate the time and effort the standard setters have made in creating the Private Company Council and their desire to help these entities. We welcome the opportunity to comment on the review of the PCC. Overall, we recognize the vital purpose the PCC serves, and a key point of our feedback, is the PCC needs to be more actively engaged in the standard setting process rather than have its influence diminished.

Questions for Comment:

Proposed Statement on Standards for Accounting and Review Services (SSARS)
Applicability of AR-C Section 70 to Financial Statements Prepared as Part of a Consulting Services Engagement

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.

The most important and relevant topic here is the “public interest”. The question should thus be bifurcated to what the public believes is its interest, and what do accountants believe is in the best public interest.

The issue of public perception of what accountants do, and the confusion between “audit”, “review”, “compilation” and “preparation of financial statement” is paramount here. It is notable that the public is often confused and unaware of the difference between these terms of art, and what level of service is provided.



As such creating a separate standard under which *some* such services would be the promulgation for “preparation” of financial statement – irrespective of the so-called “intent” factor – is likely going to further the aforementioned confusion and as such excluding the preparation of financial statement from the AR-C Section 70 is likely going to cause more misunderstanding in the public.

This proposed exclusion, however, is a double edged sword: for those aware and familiar with the nuances among standards, the exclusion of preparation of financial statements for the purpose of providing consulting services is going to allow accountants more protection under the lower bar of CS 100. On the other hand, unfamiliar accountants may err and include *all* such preparation services under CS 100, akin to the common practiced – albeit woefully incorrect – preparation of expert opinion as “Agreed Upon Procedures”, for example.

So, in sum and substance we believe that the benefit of such an exclusion of preparation of financial statements from AR 70, is *not in the public interest*.

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

The proposed effective date of the SSARS does not give practitioners, authors of text-book for students, local and state boards, and other stakeholder sufficient time to prepare, educate, publicize and create awareness of the change in the prevailing standards. This is because at a one-year to switch between standard will allow only a single CPE-cycle to educate and promote the change. We believe that more than one such cycle is warranted, if adopted at all.

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.

While the inclusion of the explanation of the difference between CS 100 and AR 70 *could* be helpful, we note that paragraph .A4 is an “application” paragraph, akin to an explanatory statement that follows the standard per-se. We believe that the statement should be an opening statement within the revised standard – if it is accepted at all – and not an auxiliary or ancillary supplemental statement.

In our responses, it may seem we are being critical of the PCC, but it is to the contrary. We believe in the mission of the PCC and the tremendous good that has already been accomplished. Our desire is to see its role enhanced to protect the private enterprises. These companies are huge drivers of our economy, we want the PCC to have a bigger voice in representing these companies and the users of their financial statements.

Respectfully submitted,

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