



**REAGAN**

**Accounting & Consulting Group, P.C.**

*...The missing piece to the puzzle*

## **F/S Reviews**

Professional standards promulgated by the American Institute of CPAs require REAGAN Accounting & Consulting Group, P.C. to perform the following when issuing a *review* report on financial statements:

- ⊗ Have an understanding with the client about the services to be performed;
- ⊗ Have or obtain knowledge of accounting principles and practices of the client entity's industry;
- ⊗ Have or obtain knowledge of the client company business, including:
  - a general understanding of the client's organization and operating characteristics
  - the nature of the client's assets, liabilities, revenues and expenses
  - a general knowledge of the client's production, distribution, and compensation methods, type of products and services, operating locations, and material transactions with related parties.
- ⊗ Make inquiries of the client owners, managers and employees, including:
  - accounting principles and practices and the methods followed in applying them;
  - procedures for recording, classifying, and summarizing transactions, and accumulating information for disclosure in the financial statements;
  - actions taken at meetings of stockholders, board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements;
  - whether the financial statements have been prepared in conformity with generally accepted accounting principles or, if applicable, an other comprehensive basis of accounting, consistently applied;
  - any changes in the client's business activities or accounting principles and practices;
  - matters about which questions have arisen in the course of applying the review procedures; and
  - events subsequent to the date of the financial statements that would have a material effect on the financial statements.
- ⊗ Perform and analyze the results of analytical procedures – Examples include:
  - comparison of the financial statements with statements for comparable prior periods;
  - comparison of the financial statements with anticipated results (budgets and forecasts); and
  - study of the relationships of the elements of the financial statements that would be expected to conform to a predictable pattern based on the client's experience, through the application of trend analysis, reasonableness tests, and ratio analysis, among other methods.
  - read the financial statements to identify any material departures from generally accepted accounting principles or, if applicable, an other comprehensive basis of accounting, and identify any mathematical or clerical errors;
  - obtain written representations from members of management who are believed to be responsible for and knowledgeable of, directly or through

- others in the organization, about matters covered in the representation letter (normally the CEO and CFO); and
- based on the form, content and presentation of the financial statements relative to conformity with generally accepted accounting principles or, if applicable, an other comprehensive basis of accounting, issue the appropriate *compilation* report.

These professional standards do not require REAGAN Accounting & Consulting Group, P.C. to do the following when issuing a *review* report on financial statements:

- ⊖ Perform other procedures to verify or corroborate information supplied by the client; and

Obtain an understanding of or communicate deficiencies in internal control, or assess control risk.