

Reporting Implications of the Canadian Standard on Review Engagements (CSRE 2400)

2ND EDITION



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Foreword

Purpose of this Guide

CPA Canada undertakes initiatives to support practitioners and their clients in the implementation of standards. As part of these initiatives, CPA Canada has prepared this Guide to promote consistency in the form and content of practitioner's reports by providing guidance with respect to commonly occurring circumstances. This Guide does not amend or override review standards, the texts of which alone are authoritative, nor does it necessarily address all review reporting circumstances.

Format of this Guide

This Guide will be updated periodically as further reporting issues are identified. The Guide will indicate its version date and the nature and extent of changes since the last version will be highlighted in each version.

This Guide presents a series of issues in Question and Answer format. It also presents a series of Illustrative Reports. These are designed to help practitioners understand and apply requirements and supporting guidance issued by the AASB relating to reporting.

Preparation of this Guide

CPA Canada expresses its appreciation to the Audit Reporting Implications of Canadian Auditing Standards Task Force. Without the valued and dedicated efforts of this Task Force, this Guide would not have been possible.

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Introduction to Guide

When preparing a practitioner's report there are sections of the report that need to be customized to the facts and circumstances of the particular engagement. This Guide provides Questions & Answers on relevant reporting questions and includes Illustrative Reports or excerpts of reports.

The following practitioner's report highlights certain content of the practitioner's report that may need to be modified and provides references to the relevant guidance within this Guide. In the Illustrative Reports in each chapter, bold text has been used, where appropriate, to help readers identify differences in the wording of the Illustrative Reports.

Sample Practitioner's Report	Chapter Reference	Possible Modifications
INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT [Appropriate Addressee]		
Report (1) on the Consolidated (2) <i>Financial Statements (3)</i>	See paragraph 102 of CSRE 2400	<p>(1) This title is only included if the practitioner reports on other legal and regulatory requirements in the practitioner's report in addition to their conclusion on the financial statements.</p> <p>(2) If the financial statements are consolidated the report would be modified to identify that the financial statements are prepared on a consolidated basis. This illustrative report has indicated that the financial statements are prepared on a consolidated basis for each instance of the words "financial statements". Different approaches may be applied by the practitioner. Similar modifications of the report may be applicable to identify that the financial statements have been prepared on a combined or carve-out basis.</p>
	Chapter 5	<p>(3) If the review of historical financial information is a review of a complete set of financial statements or a review of other historical financial information, the appropriate name of the information is included throughout the report (e.g., <i>financial statements</i> or financial information).</p>

Sample Practitioner's Report	Chapter Reference	Possible Modifications
<p>We have reviewed the accompanying consolidated (2) financial statements (3) of ABC Company, which comprise the consolidated (2) balance sheets as at December 31, 20X1 <i>and 20X0 (4)</i>, and the consolidated (2) statements of income, consolidated (2) statements of retained earnings and consolidated (2) statements of cash flows for the <i>years (4)</i> then ended, and a summary of significant accounting policies and other explanatory information.</p>	<p>Chapter 4, Section B</p>	<p>(4) If the conclusion is on the current period (corresponding figures reporting approach) or on all periods presented (comparative financial statements reporting approach), the conclusion and basis for conclusion refers to one year or two years.</p>
<p><i>Management's Responsibility for the Consolidated (2) Financial Statements (3)</i></p> <p>Management is responsible for the preparation <i>and fair presentation (5)</i> of these consolidated (2) financial statements (3) in accordance with <i>Canadian accounting standards for private enterprises (6)(7)</i>, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements (3) that are free from material misstatement, whether due to fraud or error.</p>	<p>Chapter 1, Section C, Q&A 2</p> <hr/> <p>Chapter 1, Section D, Q&A 1</p> <hr/> <p>Chapter 1, Section A, Q&A 1</p>	<p>(7) If management has a choice of financial reporting frameworks, additional wording is required.</p> <hr/> <p>(5) Terminology within the management and practitioner's responsibilities paragraphs and the conclusion paragraph are modified depending on whether the financial reporting framework is a fair presentation or compliance financial reporting framework.</p> <hr/> <p>(6) Describe the applicable financial reporting framework and in the conclusion paragraph, describe what the financial reporting framework is designed to present (e.g., ASPE - results of its operations, IFRS - financial performance).</p>

Sample Practitioner's Report	Chapter Reference	Possible Modifications
<p><i>Practitioner's Responsibility</i></p> <p>Our responsibility is to express a conclusion on the accompanying consolidated (2) financial statements (3) based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.</p> <p>A review of <i>financial statements (3)</i> in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.</p> <p>The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these consolidated (2) financial statements (3).</p>		
<p><i>Conclusion</i></p> <p>Based on our review, nothing has come to our attention that causes us to believe that the consolidated (2) financial statements (3) do not present fairly (5), in all material respects, the financial position of ABC Company as at December 31, 20X1 and 20X0 (4), and the <i>results of its operations (6)</i> and its cash flows for the <i>years (4)</i> then ended in accordance with <i>Canadian accounting standards for private enterprises (6)</i>.</p>	Chapter 4	If the practitioner modifies their conclusion, this paragraph changes along with an additional paragraph added before the conclusion to describe the basis for the modified conclusion.
<p><i>Emphasis of Matter</i></p> <p>[Insert]</p>	Chapter 3	A paragraph is added to the report if the practitioner is required or the practitioner considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the practitioner's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.

Sample Practitioner's Report	Chapter Reference	Possible Modifications
<p><i>Other Matter</i> [Insert]</p>	<p>Chapter 3</p>	<p>A paragraph is added to the report if the practitioner is required or considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the practitioner's judgment, is relevant to users' understanding of the review, the practitioner's responsibilities or the practitioner's report.</p>
<p>Report on Other Legal and Regulatory Requirements (1) [Insert]</p>	<p>See paragraph 102 of CSRE 2400</p>	<p>(1) This title is required if other reporting responsibilities are prescribed by local law, regulation. If not required, then this title along with the title at the beginning of the report is also not required.</p>
<p><i>[Practitioner's signature]</i></p>		
<p><i>[Practitioner's address]</i></p>		
<p><i>[Date]</i></p>	<p>Chapter 2</p>	<p>Chapter 2 includes considerations regarding the date of the independent practitioner's review engagement report.</p>

CHAPTER 1

Financial Reporting Frameworks

This Chapter includes the following Q&As:

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2	How should the practitioner describe in the conclusion paragraph in the report the matters that the financial statements are designed to present for any one of the financial reporting frameworks of the <i>CPA Canada Handbook – Accounting</i> and the <i>CPA Canada Public Sector Accounting Handbook</i> ?	5
B	General Purpose Financial Reporting Frameworks	10
1	What is the form and content of the report on financial statements that are prepared using various general purpose financial reporting frameworks?	10
2	What factors does the practitioner consider in determining whether a general purpose framework (other than an AcSB or PSAB framework) is acceptable?	16
3	What are the reporting implications if a general purpose framework is unacceptable?	18

C	Special Purpose Financial Reporting Frameworks	20
1	How should the report alert readers that the financial statements are prepared in accordance with a special purpose framework?	20
2	When management has a choice of financial reporting framework— When does the report include the additional wording required by paragraph 94(e)(ii) of CSRE 2400?	22
3	What factors does the practitioner consider in determining whether a special purpose financial reporting framework is acceptable?	24
D	Fair Presentation or Compliance Frameworks	25
1	How does the practitioner determine whether a financial reporting framework is a fair presentation or a compliance framework?	25

Illustrative Reports

The following Illustrations are included in this chapter:

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A Describing Financial Reporting Frameworks

1 How should the report refer to the financial reporting framework when financial statements are prepared in accordance with one of the financial reporting frameworks of the *CPA Canada Handbook—Accounting* or the *CPA Canada Public Sector Accounting Handbook*?

Background

- 1.1 The practitioner is required by paragraph 28(a) of CSRE 2400 to determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable.
- 1.2 The following general principles have been followed to promote consistency in the wording of the report:
 - a. The report would clearly describe the financial reporting framework applied by management in preparing the financial statements. Because the *CPA Canada Handbook—Accounting* includes different financial reporting frameworks, use of the term “Canadian generally accepted accounting principles” is not specific enough to help readers identify which financial reporting framework has been used.
 - b. The reports for different entities would describe the same financial reporting framework in the same way. For example, a report on the financial statements of a private enterprise that prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs) should contain the same description of the financial reporting framework as a report on the financial statements of a publicly accountable enterprise that also prepares its financial statements in accordance with IFRSs.
 - c. The report would normally maintain consistency with how the entity describes the financial reporting framework in its financial statements. Certain parts of the *CPA Canada Handbook—Accounting* require that the basis of presentation be specifically stated in the financial statements.¹
 - d. Paragraph 94(h)(ii) of CSRE 2400 requires the practitioner’s conclusion to identify the jurisdiction of origin.

¹ See, for example, paragraph 16 of IAS 1 *Presentation of Financial Statements*, in Part I and *General Standards of Financial Statement Presentation*, paragraph 1400.16 in Part II of the *CPA Canada Handbook—Accounting*.

Financial statements prepared in accordance with IFRSs

- 1.3 In considering how to describe, in the report, financial statements prepared in accordance with IFRSs, it is noted that:
- a. IFRSs are a separately recognized financial reporting framework that is used in many countries around the globe, and
 - b. IFRSs as issued by the International Accounting Standards Board (IASB) are incorporated into the *CPA Canada Handbook – Accounting* without modification.

In Canada, the use of the additional words “as issued by the International Accounting Standards Board” is redundant because, as stated above, IFRSs as issued by the IASB have been incorporated unchanged into the *CPA Canada Handbook – Accounting*. However, including these words in the description of the financial reporting framework is not incorrect or prohibited. When legislation or regulation requires the use of different wording to describe the financial reporting framework, the practitioner would comply with that legislation or regulation. Paragraph 77(e) of CSRE 2400 requires the practitioner to evaluate whether the description of the financial reporting framework is adequate.

Financial statements prepared in accordance with other financial reporting frameworks in the *CPA Canada Handbook – Accounting*

- 1.4 In considering how to describe, in the report, financial statements prepared in accordance with other financial reporting frameworks in the *CPA Canada Handbook – Accounting*, the principles in paragraph 1.2 of this Q&A have been considered. Accordingly, the description of other frameworks would be as follows:
- a. accounting standards for private enterprises in Part II of the *CPA Canada Handbook – Accounting*, would be referred to as “Canadian accounting standards for private enterprises”
 - b. accounting standards for not-for-profit organizations in Part III of the *CPA Canada Handbook – Accounting* would be referred to as “Canadian accounting standards for not-for-profit organizations”
 - c. accounting standards for pension plans in Part IV of the *CPA Canada Handbook – Accounting* would be referred to as “Canadian accounting standards for pension plans”

Financial statements prepared in accordance with accounting standards in the CPA Canada Public Sector Accounting Handbook

- 1.5 The financial reporting framework in a report on financial statements prepared in accordance with the accounting standards in the *CPA Canada Public Sector Accounting Handbook* would be described as “Canadian public sector accounting standards.”

2 How should the practitioner describe in the conclusion paragraph in the report the matters that the financial statements are designed to present for any one of the financial reporting frameworks of the CPA Canada Handbook—Accounting and the CPA Canada Public Sector Accounting Handbook?

Background

- 2.1 In the case of financial statements prepared in accordance with a fair presentation framework, paragraph A137 of CSRE 2400 indicates that the practitioner’s conclusion states that nothing has come to the practitioner’s attention that causes the practitioner to believe that the financial statements do not present fairly, in all material respects, ... in accordance with [the applicable fair presentation framework]. In the case of many general purpose frameworks, for example, the financial statements are required to fairly present the financial position of the entity as at the end of the period, and the entity’s financial performance and cash flows for that period.
- 2.2 Because there are various different financial reporting frameworks in Canadian GAAP, the practitioner needs to consider the requirements of the respective financial reporting framework when stating the practitioner’s conclusion in the report under CSRE 2400.

International Financial Reporting Standards (Part I of the CPA Canada Handbook—Accounting)

- 2.3 Paragraph 15 of IAS 1, *Presentation of Financial Statements* states that financial statements shall present fairly the financial position, **financial performance** and cash flows of an entity.

- 2.4 Therefore, the practitioner's conclusion would be worded as follows, when the report refers to the current period only as discussed in Chapter 4, Section A, Q&A 1:

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of [the Company] as at [Date], and its **financial performance** and its cash flows for the [period] then ended in accordance with International Financial Reporting Standards (IFRSs).

Accounting standards for private enterprises (Part II of the CPA Canada Handbook—Accounting)

- 2.5 *General Standards of Financial Statement Presentation*, paragraph 1400.03 in Part II of the *CPA Canada Handbook—Accounting*, states that financial statements shall present fairly in accordance with generally accepted accounting principles the financial position, **results of operations** and cash flows of an entity.
- 2.6 Therefore, the practitioner's conclusion would be worded as follows, when the report refers to the current period only as discussed in Q&A 1 of Chapter 4:

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of [the Company] as at [Date], and its **results of operations** and its cash flows for the [period] then ended in accordance with Canadian accounting standards for private enterprises.

Accounting standards for not-for-profit organizations (Part III of the CPA Canada Handbook—Accounting)

- 2.7 *General Standards of Financial Statement Presentation for Not-For-Profit Organizations*, paragraph 1401.03 in Part III of the *CPA Canada Handbook—Accounting*, states that financial statements shall present fairly in accordance with generally accepted accounting principles the financial position, **results of operations** and cash flows of an entity.

- 2.8 Therefore, the practitioner's conclusion would be worded as follows, when the report refers to the current period only as discussed in Q&A 1 of Chapter 4:

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of [the Organization] as at [Date], and its **results of operations** and its cash flows for the [period] then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting standards for pension plans
(Part IV of the CPA Canada Handbook—Accounting)

- 2.9 Pension Plans, paragraph 4600.10 in Part IV of the *CPA Canada Handbook—Accounting*, states that financial statements shall consist of:
- a statement of financial position;
 - a statement of **changes in net assets available for benefits**; and
 - a statement of **changes in pension obligations**.
- 2.10 Therefore, the practitioner's conclusion would be worded as follows, when the report refers to the current period only as discussed in Q&A 1 of Chapter 4:

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of [the Pension Plan] as at [Date], and **its changes in net assets available for benefits and its changes in pension obligations** for the [period] then ended in accordance with Canadian accounting standards for pension plans.

Public sector accounting standards
(CPA Canada Public Sector Accounting Handbook)

- 2.11 *Financial Statement Presentation*, paragraph PS 1200.012 in the CPA Canada Public Sector Accounting (PSA) Handbook, states that financial statements should present any information required for the fair presentation of a government's financial position, **results of operations, change in net debt, and cash flow**.

- 2.12 Therefore, the practitioner's conclusion would be worded as follows, when the report refers to the current period only as discussed in Q&A 1 of Chapter 4:

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of [the government] as at [Date], and its **results of operations, its changes in net debt, and its cash flows** for the [period] then ended in accordance with Canadian public sector accounting standards.

- 2.13 The Public Sector Accounting Board released new accounting standards in June 2011 that replace Section PS 1200 with Section PS 1201, *Financial Statement Presentation*, effective for government organizations for fiscal years beginning on or after April 1, 2012 and for governments for fiscal years beginning on or after April 1, 2019. Earlier adoption is permitted. Paragraph PS 1201.012 states that financial statements should present any information required for the fair presentation of a government's financial position, **results of operations, remeasurement gains and losses, change in net debt, and cash flow**.
- 2.14 Therefore, when Section PS 1201 is adopted, the practitioner's conclusion would be worded as follows, when the report refers to the current period only as discussed in Q&A 1 of Chapter 4:

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of [the government] as at [Date], and its **results of operations, its remeasurement gains and losses, its changes in net debt, and its cash flows** for the [period] then ended in accordance with Canadian public sector accounting standards.

- 2.15 The Introduction to Public Sector Accounting Standards in the *CPA Canada PSA Handbook* states that for purposes of their financial reporting, government not-for-profit organizations should adhere to the standards for not-for-profit organizations in the *CPA Canada PSA Handbook* or the standards in the *CPA Canada PSA Handbook* without Sections PS 4200 to PS 4270. The practitioner's conclusion on financial statements of a government

not-for-profit organization that adheres to the standards in the *CPA Canada PSA Handbook* without Sections PS 4200 to PS 4270 would be worded as described in paragraph 2.12 of this Q&A.

- 2.16 PS 4200, *Financial Statement Presentation by Not-for-Profit Organizations*, establishes presentation and disclosure standards for financial statements for not-for-profit organizations adhering to the standards for not-for-profit organizations. Paragraph PS 4200.05 states that the financial statements for a not-for-profit organization are to provide the information necessary to meet the requirements of that Section and other Sections in a manner that results in the fair presentation in accordance with generally accepted accounting principles of the organization's financial position, **results of operations and cash flows**. A footnote indicates a statement of remeasurement gains and losses may be required.
- 2.17 For government not-for-profit organizations that adhere to the standards for not-for-profit organizations in the *CPA Canada PSA Handbook*, the practitioner's conclusion would be worded as follows, when the report refers to the current period only as discussed in Q&A 1 of Chapter 4:

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of [the government not-for-profit organization] as at [Date], and its **results of operations and its cash flows** for the [period] then ended in accordance with Canadian public sector accounting standards.

The statement of remeasurement gains and losses would not be required and therefore would not be referenced in the report until adoption of Section PS 1201 by the government not-for-profit organization.

B General Purpose Financial Reporting Frameworks

1 What is the form and content of the report on financial statements that are prepared using various general purpose financial reporting frameworks?

Background

- 1.1 This Section addresses the form of the report with respect to the following circumstances where financial statements are prepared in accordance with a general purpose financial reporting framework:
- a. financial statements prepared in accordance with a general purpose financial reporting framework other than a financial reporting framework in the *CPA Canada Handbook—Accounting* or the *CPA Canada Public Sector Accounting Handbook*;
 - b. financial statements prepared in accordance with a financial reporting framework in the *CPA Canada Handbook—Accounting* that is not designed for that type of entity;
 - c. financial statements for a specific use prepared in accordance with a general purpose financial reporting framework;
 - d. consolidated and non-consolidated financial statements prepared in accordance with a financial reporting framework that permits both such statements to be prepared for general purposes;
 - e. two sets of financial statements prepared in accordance with different accounting policy choices within the same financial reporting framework (including consolidated and non-consolidated financial statements prepared in accordance with a financial reporting framework that does not expressly permit both such statements to be prepared for general purposes).
- 1.2 In the discussion of each circumstance in this Chapter, it has been assumed that the practitioner has determined the applied general purpose financial reporting framework to be acceptable in accordance with paragraph 28(a) of CSRE 2400, unless otherwise indicated.
- 1.3 Reference is also made in this Section to the following circumstances:
- a. the practitioner may include an Other Matter paragraph in the report, referring to the fact that another set of financial statements has been prepared by the same entity in accordance with another general purpose financial reporting framework and the practitioner has issued a conclusion on those financial statements; and

- b. the financial statements are prepared for a specific use using a general purpose financial reporting framework, since the report is intended for specific users. The practitioner may consider it necessary in the circumstances to include an Other Matter paragraph stating that the report is intended solely for the intended users, and should not be distributed to or used by other parties.
- 1.4 In the circumstances where the practitioner is requested to report on financial statements prepared in accordance with a financial reporting framework other than the framework required by the entity's incorporating or other governing legislation, the practitioner may discuss the matter with management and, where appropriate, those charged with governance. For example, the practitioner may indicate that:
- a. the financial statements do not comply with and will not satisfy the entity's incorporating or other governing legislation;
 - b. those charged with governance should consider the financial and other implications of such non-compliance and may wish to obtain legal advice; and
 - c. the practitioner accepts no responsibility for any implications of potential non-compliance with the incorporating or other governing legislation.

Reporting on financial statements prepared in accordance with a general purpose financial reporting framework other than a financial reporting framework in the *CPA Canada Handbook—Accounting* or the *CPA Canada Public Sector Accounting Handbook*

- 1.5 In Canada, the accounting standards promulgated by the Accounting Standards Board and the Public Sector Accounting Board are generally accepted and often are prescribed in incorporating or other governing legislation as the applicable financial reporting framework. They are considered to be general purpose financial reporting frameworks for the type of entity for which the framework was designed.
- 1.6 A financial reporting framework other than the financial reporting frameworks in the *CPA Canada Handbook—Accounting* or the *CPA Canada Public Sector Accounting Handbook* may be acceptable in certain circumstances. Examples where this may be acceptable would be for general purpose financial statements when legislation or regulation permits an entity to report in accordance with US GAAP. In these circumstances, the form of the report would be in accordance with CSRE 2400 with no modification for the requirements in paragraphs 94(e) and 98.

- 1.7 It is possible that such an entity may prepare two sets of general purpose financial statements, one prepared in accordance with a general purpose financial reporting framework and one set prepared in accordance with a different general purpose financial reporting framework. In this case, the practitioner may consider adding the Other Matter paragraph referencing the other set of financial statements prepared by the same entity, referred to in paragraph 1.3(a) of this Q&A.
- 1.8 In determining whether the applicable general purpose financial reporting framework is acceptable for the engagement under paragraph 28(a) of CSRE 2400, the practitioner may determine that the general purpose financial statements are prepared for a specific use² (refer to paragraphs 1.11 – 1.14 of this Q&A regarding reporting on financial statements prepared for a specific use). In addition, the practitioner may consider adding an Other Matter paragraph to the report stating that the report is intended solely for the intended users, and should not be distributed to or used by other parties, as discussed in paragraph 1.3(b) of this Q&A.

Reporting on financial statements prepared in accordance with a financial reporting framework in the *CPA Canada Handbook—Accounting that is not designed for that type of entity*

- 1.9 As discussed in paragraph 1.5 of this Q&A, the accounting standards promulgated by the Accounting Standards Board and the Public Sector Accounting Board are considered to be general purpose financial reporting frameworks for the type of entity for which the framework was designed. The Preface to the *CPA Canada Handbook—Accounting* provides guidance on determining which financial reporting framework applies to a reporting entity. All types of entities may apply International Financial Reporting Standards. However, the financial reporting frameworks in Parts II to IV of the *CPA Canada Handbook—Accounting* may only be applied by entities that meet the definitions of entities for which these financial reporting frameworks have been designed.
- 1.10 In some circumstances, an entity may request a practitioner to report on financial statements prepared in accordance with a general purpose financial reporting framework that is not designed for that type of entity. For example, a publicly accountable enterprise may prepare financial statements in accordance with Canadian accounting standards for private enterprises. In determining whether the applicable financial reporting framework is acceptable for the engagement under CSRE 2400, the practitioner may identify the

² Financial statements prepared for a specific use are distinguished from special purpose financial statements that are financial statements prepared in accordance with a special purpose financial reporting framework.

purpose of the financial statements, the intended users and the steps taken by management to determine that the applicable financial reporting framework is acceptable. If the financial statements prepared in accordance with such a financial reporting framework are intended as the entity's general purpose financial statements, the practitioner shall³ not accept an engagement to report on such financial statements because such a financial reporting framework is not an acceptable financial reporting framework for general purpose financial statements for that type of entity. However, if such financial statements are prepared for a specific use (for example, to meet the needs of a particular stakeholder), such a financial reporting framework may be an acceptable special purpose financial reporting framework. In this case, the practitioner reports in accordance with paragraph 98 of CSRE 2400. If management has a choice of financial reporting frameworks in the preparation of special purpose financial statements, a reference within the explanation of management's responsibility for determining that the applicable financial reporting framework is acceptable.

Reporting on financial statements prepared for a specific use in accordance with a general purpose financial reporting framework designed for that type of entity

- 1.11 An entity may prepare financial statements for a specific use in accordance with a general purpose financial reporting framework designed for that type of entity. For example, a private enterprise may prepare non-consolidated financial statements in accordance with Canadian accounting standards for private enterprises (as permitted by *Subsidiaries*, paragraph 1591.24 in Part II of the *CPA Canada Handbook—Accounting*) to meet the expressed needs of a bank and the income tax authorities.
- 1.12 When financial statements are prepared for a specific use in accordance with a general purpose framework, the financial statements do not meet the definition of special purpose financial statements in CSRE 2400. Paragraph 15(p) of CSRE 2400 defines a special purpose framework as a financial reporting framework designed to meet the financial information needs of specific users. Special purpose financial statements are financial statements prepared in accordance with a special purpose financial reporting framework.
- 1.13 Although the financial statements are prepared for a specific use, the practitioner reports on such financial statements in accordance with CSRE 2400 with no modification for the requirement in paragraphs 94(e) and 98 as the financial reporting framework is a general purpose framework. The

3 See paragraph 29 of CSRE 2400

practitioner may consider adding the Other Matter paragraph stating that the report is intended solely for the intended users, and should not be distributed to or used by other parties referred to in paragraph 1.3(b) of this Q&A.

- 1.14 See Illustrative Report 1.2 in this Chapter for an example of a report on financial statements prepared for a specific purpose in accordance with a general purpose financial reporting framework.

Reporting on consolidated and non-consolidated financial statements in accordance with a general purpose financial reporting framework that permits both such statements to be prepared for general purposes

- 1.15 Some general purpose financial reporting frameworks permit an entity to prepare both consolidated financial statements and non-consolidated financial statements and indicate that they have been prepared in accordance with that general purpose financial reporting framework. See, for example, IAS 27, *Separate Financial Statements* in Part I of the *CPA Canada Handbook—Accounting*.
- 1.16 In this circumstance, the practitioner reports on each set of financial statements in accordance with CSRE 2400 with no modification for the requirements in paragraphs 94(e) or 98. The financial statements are labelled in the report in the same manner in which the entity has labelled the financial statements in accordance with the financial reporting framework.
- 1.17 The practitioner may consider adding the Other Matter paragraph referencing the other set of financial statements prepared by the same entity referred to in paragraph 1.3(a) of this Q&A to the report on each set of financial statements, if this is practicable. The following is example wording of an Other Matter paragraph that may be included in the report on consolidated (separate) financial statements when an entity also prepares separate (consolidated) financial statements under IAS 27, *Separate Financial Statements*:

Other Matter

The Entity has prepared a [(non-consolidated/separate)/(consolidated)] set of financial statements for the year ended December 31, 20X1 in accordance with International Financial Reporting Standards on which we issued a review engagement report to the shareholders of Entity dated March 31, 20X2.

Reporting on two sets of financial statements prepared in accordance with different accounting policy choices within the same financial reporting framework (including consolidated and non-consolidated financial statements)

- 1.18 General purpose financial reporting frameworks generally contemplate an entity preparing only one set of general purpose financial statements in accordance with that financial reporting framework. Therefore, an entity would select only one set of accounting policies in any particular period for purposes of preparing such general purpose financial statements.
- 1.19 In some circumstances, an entity may prepare additional sets of financial statements using alternative accounting policies that are also in accordance with a particular general purpose financial reporting framework. For example, the entity may prepare:
- a. one set of financial statements making an accounting policy choice to prepare financial statements on a consolidated basis as permitted by *Subsidiaries*, paragraph 1591.24(a) in Part II of the *CPA Canada Handbook—Accounting*; and one set of financial statements making an accounting policy choice to prepare financial statements on a non-consolidated basis as permitted by paragraph 1591.24(b); or
 - b. one set of financial statements making an accounting policy choice to account for income taxes using the taxes payable method, as permitted by *Income Taxes*, paragraph 3465.03(a) in Part II of the *CPA Canada Handbook—Accounting*; and another set of financial statements making an accounting policy choice to account for income taxes using the future income taxes method, as permitted by paragraph 3465.03(b).
- 1.20 In accepting an engagement to report on two sets of financial statements prepared in accordance with different accounting policy choices within the same general purpose financial reporting framework, the practitioner typically requests the entity to designate one set of financial statements as being its general purpose financial statements for a broad range of users and the other set as being for a specific use.
- a. Generally, the general purpose set of financial statements is the set of financial statements that provides the most reliable and relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. The practitioner reports on these financial statements in accordance with CSRE 2400 with no modification for the requirements in paragraphs 94(e) and 98.

- b. The practitioner reports on additional sets of financial statements prepared in accordance with the same financial reporting framework in accordance with paragraphs 1.11-1.14 of this Q&A on the basis that the financial statements are prepared for a specific use in accordance with a general purpose financial reporting framework. The practitioner may consider adding either or both of the Other Matter paragraphs referred to in paragraph 1.3 of this Q&A.

2 What factors does the practitioner consider in determining whether a general purpose framework (other than an AcSB or PSAB framework) is acceptable?

- 2.1 Paragraph 28(a) of CSRE 2400, requires the practitioner to determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable.
- 2.2 Paragraph A46 of CSRE 2400 indicates that factors that are relevant to the practitioner's determination of the acceptability of the financial reporting framework to be applied in the preparation of the financial statements include:
 - a. The nature of the entity (for example, whether it is a business enterprise, a public sector entity or a not-for-profit organization);
 - b. The purpose of the financial statements (for example, whether they are prepared to meet the common financial information needs of a wide range of users or the financial information needs of specific users);
 - c. The nature of the financial statements (for example, whether the financial statements are a complete set of financial statements or a single financial statement); and
 - d. Whether the applicable financial reporting framework is prescribed in relevant law or regulation.
- 2.3 Accounting standards promulgated by the Accounting Standards Board and the Public Sector Accounting Board (AcSB and PSAB frameworks, respectively) are generally accepted and are relevant in determining the acceptability of the applicable financial reporting framework even when incorporating or other governing legislation does not specify that generally accepted accounting principles be used when preparing general purpose financial statements.
- 2.4 Paragraph A45 of CSRE 2400 states that law or regulation may prescribe the financial reporting framework to be used in the preparation of general purpose financial statements for certain types of entities. In the absence of

indications to the contrary, such a financial reporting framework is presumed to be acceptable for general purpose financial statements prepared by such entities. The attributes normally exhibited by acceptable general purpose frameworks—relevance, completeness, reliability, neutrality and understandability—result in information provided in financial statements that is useful to the intended users.

- 2.5 Where law or regulation prescribes a general purpose framework other than AcSB or PSAB frameworks, the application guidance in CSRE 2400 and the following factors may be considered in determining whether there are indications to the contrary:
- a. The process followed to develop the financial reporting framework, including the opportunity for input from stakeholders and deliberation of their views so that the financial reporting framework exhibits the attributes of an acceptable general purpose framework—For example, when a regulator issues a proposed financial reporting framework for public comment and the final financial reporting framework reflects deliberation of comments received, such a financial reporting framework is more likely to be acceptable than a financial reporting framework developed by the regulator in isolation that may reflect the regulator’s individual preferences. As a result, it will not exhibit the attributes of relevance, completeness or neutrality.
 - b. The reasons for development of the financial reporting framework—For example, where law or regulation addresses the circumstances of a particular type of entity, such a financial reporting framework may be acceptable if the applicable AcSB and PSAB frameworks do not provide specific guidance on the accounting for that type of entity. However, if the Accounting Standards Board and the Public Sector Accounting Board have already considered a particular issue and reached a conclusion on the appropriate recognition, measurement and disclosure, a financial reporting framework that conflicts with that conclusion is an indicator that the financial reporting framework may not exhibit attributes of an acceptable general purpose framework such as completeness and neutrality.
 - c. The body prescribing the financial reporting framework—For example, some governments and government organizations have legislative authority with respect to the application of a financial reporting framework in the preparation of general purpose financial statements. There is the potential in this situation that the financial reporting framework

applied may reflect the government or government organization's individual preferences and information needs, and may not be neutral and free from bias.

- d. Whether the resulting financial statements prepared in accordance with the financial reporting framework will be misleading.

3 What are the reporting implications if a general purpose framework is unacceptable?

- 3.1 Paragraph 29 of CSRE 2400 states that unless required by law or regulation to do so, the practitioner shall not accept a proposed review engagement if the practitioner has determined that the financial reporting framework to be applied in the preparation of the financial statements is unacceptable.
- 3.2 A description that the financial statements are prepared in accordance with a particular applicable financial reporting framework is appropriate only if the financial statements comply with all the requirements of that framework that are effective during the period covered by the financial statements.
- 3.3 The practitioner may also need to consider the wording of other sections of the report, depending on the circumstances. For example, the practitioner may conclude that the financial reporting framework is not a fair presentation framework and, therefore, the report should not include the additional references included in the management responsibility section of the report required by paragraph 94(d)(i) of CSRE 2400 when the financial reporting framework is a fair presentation framework (i.e., the explanation of management's responsibility for the financial statements as being for "the preparation and fair presentation of these financial statements" or "the preparation of financial statements that give a true and fair view, ").
- 3.4 Paragraph 32 of CSRE 2400 indicates that in a case where law or regulation prescribes the layout or wording of the report in a form or in terms that are significantly different from the requirements of CSRE 2400 the practitioner is required to evaluate:
 - a. Whether users might misunderstand the assurance obtained from the review of the financial statements and, if so,
 - b. Whether additional explanation in the report can mitigate possible misunderstanding.
- 3.5 In performing the evaluation required by paragraph 32 of CSRE 2400, the practitioner may consider it necessary to alert readers that law or regulation requires the practitioner to express a conclusion using wording that is otherwise prohibited by CSRE 2400. Such an alert may be included in an

Other Matter paragraph or in the section of the report subtitled “Reporting on Other Legal and Regulatory Requirements,” as appropriate. The following is an example of such an alert:

Reporting on Other Legal and Regulatory Requirements

We wish to alert readers that we are required by [specify legislation or regulation] to express our conclusion on the financial statements using the phrase “[insert prescribed wording]”, which would not be the case under Canadian generally accepted standards for review engagements as we have determined that the financial reporting framework prescribed by [legislation or regulation] would be unacceptable for the Company but for the fact that it is prescribed by law or regulation.

- 3.6 Paragraph 33 of CSRE 2400 states that if the conditions outlined in paragraph 32 are not present and the practitioner is required by law or regulation to undertake the review engagement, the review engagement conducted in accordance with such law or regulation does not comply with CSRE 2400. Accordingly, the practitioner shall not include any reference within the report to the review having been conducted in accordance with Canadian generally accepted standards for review engagements. The practitioner may consider including a statement in the report that the review is not conducted in accordance with Canadian generally accepted standards for review engagements.

C Special Purpose Financial Reporting Frameworks

1 How should the report alert readers that the financial statements are prepared in accordance with a special purpose framework?

Background

- 1.1 A special purpose financial reporting framework is a financial reporting framework designed to meet the financial information needs of specific users. Special purpose financial statements are financial statements prepared in accordance with a special purpose financial reporting framework. The special purpose financial reporting framework may be a fair presentation framework or a compliance framework (Refer to Section D, Q&A 1).
- 1.2 Paragraph A160 of CSRE 2400 indicates that special purpose financial statements may be used for purposes other than those for which they are intended. To avoid misunderstandings, paragraph 98 of CSRE 2400 requires the practitioner to alert users of the report that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. This alert is included in an Emphasis of Matter paragraph under an appropriate heading.
- 1.3 Paragraph A161 of CSRE 2400 indicates that, in addition to the alert required by paragraph 98 of CSRE 2400, the practitioner may consider it appropriate to indicate that the report is intended solely for the specific users. This may be achieved by restricting the distribution or use of the report.
- 1.4 Therefore, there are four possible types of paragraph that the practitioner may use to alert readers to the basis of accounting and the distribution or use of the report. The following are examples of the different types of possible wording (**bold text** has been used to identify differences in the wording):
 - a. When alerting the readers to the basis of accounting, but the practitioner does not consider it necessary to restrict either distribution or use:

Basis of Accounting

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Entity to comply with the financial reporting provisions of the Contract. As a result, the financial statements may not be suitable for another purpose.

- b. When alerting readers to the basis for accounting and the practitioner considers it necessary to restrict use, but not distribution:

Basis of Accounting and Restriction on Use

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Entity to comply with the financial reporting provisions of the Contract. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the Entity and DEF Company and should not be used by parties other than ABC Company or DEF Company.

- c. When alerting readers to the basis for accounting and the practitioner considers it necessary to restrict distribution, but not the use:

Basis of Accounting and Restriction on Distribution

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Entity to comply with the financial reporting provisions of the Contract. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the Entity and DEF Company and should not be distributed to parties other than ABC Company or DEF Company.

- d. When alerting readers to the basis for accounting and the practitioner considers it appropriate to restrict both distribution and use:

Basis of Accounting and Restriction on Distribution and Use

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Entity to comply with the financial reporting provisions of the Contract. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the Entity and DEF Company, and should not be distributed to or used by parties other than ABC Company or DEF Company.

2 When management has a choice of financial reporting framework—When does the report include the additional wording required by paragraph 94(e)(ii) of CSRE 2400?

- 2.1 Paragraph 94(e)(ii) of CSRE 2400, requires that if management has a choice of financial reporting frameworks in the preparation of special purpose financial statements, the explanation of management’s responsibility for the financial statements in the report shall also make reference to management’s responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. Therefore, this additional reference is only made in the report when the financial reporting framework is a special purpose framework.
- 2.2 The additional reference is not made when the financial reporting framework is a general purpose framework. As discussed in Q&A 1 of Section B in this Chapter, when financial statements are prepared for a specific use in accordance with a general purpose financial reporting framework, the practitioner reports on such financial statements in accordance with CSRE 2400 with no modification for the requirement in paragraph 94(e). For example, if a contract requires that financial statements be prepared in accordance with “Canadian generally accepted accounting principles”, management has a choice of financial reporting frameworks because Canadian GAAP includes different financial reporting frameworks in Parts I to IV of the *CPA Canada Handbook - Accounting* and the *CPA Canada Public Sector Accounting Handbook*. In such a case, the financial reporting framework applied by management in preparing the financial statements is a general purpose financial reporting framework and the practitioner reports in accordance with CSRE 2400 with no modification for the requirement in paragraph 94(e), unless the financial reporting framework is not designed for that type of entity when, as discussed in Q&A 1 of Section B in this Chapter, the practitioner may conclude that the financial reporting framework is a special purpose financial reporting framework and that the practitioner can modify the report in accordance with paragraph 94(e) of CSRE 2400.

- 2.3 The following examples may be useful in explaining when additional wording is needed in the report to meet the requirement in paragraph 94(e)(ii) of CSRE 2400:
- a. A creditor may request cash flow information but not specify how the cash flow information must be prepared. In satisfying the creditor's request for information, management may, for example, prepare the cash flow information using the cash receipts and disbursements basis of accounting. In this circumstance, management has had to choose a financial reporting framework that it believes will result in the preparation of financial information that meets the needs of the intended user.
 - b. The financial reporting provisions of a contract may require financial statements prepared in accordance with a financial reporting framework established by a recognized standard-setting organization or by law or regulation, but not comply with all the requirements of that framework (for example, "Canadian generally accepted accounting principles except that no amortization will be recognized on property, plant and equipment"). Because Canadian GAAP includes different financial reporting frameworks, the reference to Canadian GAAP is not specific enough to enable management to choose its accounting policies. Management chooses the financial reporting framework in Canadian GAAP that is designed for that type of entity and is acceptable in the circumstances and uses that framework as the basis for preparing financial statements that comply with the prescribed financial reporting framework (for example, Canadian accounting standards for private enterprises prepared without amortization of property, plant and equipment). For some entities, the *CPA Canada Handbook—Accounting* provides a choice of financial reporting frameworks. For example, a private enterprise applies either Canadian accounting standards for private enterprises in Part II or the International Financial Reporting Standards in Part I of the *CPA Canada Handbook—Accounting*. In this case, the practitioner amends the report to comply with paragraph 94(e)(ii) of CSRE 2400. Accordingly, even though the financial reporting framework may be described as, for example, "the financial reporting provisions in the contract", management has a choice of financial reporting frameworks to apply in complying with those reporting provisions. For pension plans, the *CPA Canada Handbook—Accounting* requires the entity to apply Part IV, Canadian accounting standards for pension plans. Because a pension plan does not have a choice of financial reporting frameworks, the report does not need to be amended.

- 2.4 When the explanation of management's responsibility for the financial statements in the report includes the additional reference required by paragraph 94(e)(ii) of CSRE 2400, the explanation (shown **with bold text**) may be worded as follows:

Management is responsible for the preparation [and fair presentation] of the financial statements in accordance with [the applicable financial reporting framework]; **this includes determining that the applicable financial reporting framework is acceptable for the preparation of the financial statements in the circumstances**, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

- 2.5 Illustrative Report 2 in Chapter 5 provides an example of a report containing the additional reference in the explanation of management's responsibility for a schedule of items of a financial statement.

3 What factors does the practitioner consider in determining whether a special purpose financial reporting framework is acceptable?

- 3.1 Paragraph A46 of CSRE 2400 indicates that factors that are relevant to the practitioner's determination of the acceptability of the financial reporting framework to be applied in the preparation of the financial statements include:
- a. The nature of the entity (for example, whether it is a business enterprise, a public sector entity or a not-for-profit organization).
 - b. The purpose of the financial statements (for example, whether they are prepared to meet the common financial information needs of a wide range of users or the financial information needs of specific users).
 - c. The nature of the financial statements (for example, whether the financial statements are a complete set of financial statements or a single financial statement).
 - d. Whether the applicable financial reporting framework is prescribed in relevant law or regulation.
- 3.2 Paragraphs A14-A16 of CSRE 2400 apply for special purpose frameworks. In the absence of indications to the contrary, a financial reporting framework established by a regulator for a certain type of entity to meet the financial reporting requirements of that regulator is presumed acceptable for special purpose financial statements prepared by such an entity.

D Fair Presentation or Compliance Frameworks

1 How does the practitioner determine whether a financial reporting framework is a fair presentation or a compliance framework?

Background

- 1.1 Paragraph 15(g) of CSRE 2400, defines a fair presentation framework as a financial reporting framework that requires compliance with the requirements of the framework and:
 - a. acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
 - b. acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.⁴
- 1.2 Paragraph 15(g) of CSRE 2400 indicates that a compliance framework is a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgments in paragraph 1.1(a) or 1.1(b) of this Q&A.
- 1.3 While the definition of a fair presentation framework in CSRE 2400 may appear straightforward, in certain circumstances, the practitioner uses professional judgment in deciding whether a financial reporting framework is a fair presentation framework.
- 1.4 The distinction between a fair presentation framework and a compliance framework is important, for example:
 - a. Paragraph 78 of CSRE 2400, states that when financial statements are prepared in accordance with a fair presentation framework, the evaluation required in paragraphs 76-77 of CSRE 2400 shall also include whether the financial statements achieve fair presentation. The practitioner's evaluation as to whether the financial statements achieve fair presentation shall include consideration of:
 - i. the overall presentation, structure and content of the financial statements in accordance with the applicable framework; and

⁴ Paragraph 19 of IAS 1 *Presentation of Financial Statements* in Part I of the *CPA Canada Handbook—Accounting* contains such an acknowledgement; however, Parts II-V do not.

- ii. whether the financial statements, including the related notes, appear to represent the underlying transactions and events in a manner that achieves fair presentation in the context of the financial statements as a whole.
- b. Paragraph 94(d)(i) of CSRE 2400 states that where the financial statements are prepared in accordance with a compliance framework, the explanation of management's responsibility for the financial statements in the report shall refer to their preparation in accordance with the applicable financial reporting framework.
- c. Paragraph 94(d)(i) of CSRE 2400 states that where the financial statements are prepared in accordance with a fair presentation framework, the explanation of management's responsibility for the financial statements in the report shall refer to their preparation in accordance with the applicable financial reporting framework including their fair presentation.
- d. Paragraph 81(a) of CSRE 2400 states that when expressing an unmodified conclusion on financial statements prepared in accordance with a fair presentation framework, the practitioner's conclusion shall, unless otherwise required by law or regulation, use the following phrase:
 - i. Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, ... in accordance with the applicable financial reporting framework
 - ii. Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not give a true and fair view, ... in accordance with the applicable financial reporting framework
- e. Paragraph 81(b) of CSRE 2400 states that when expressing an unmodified conclusion on financial statements prepared in accordance with a compliance framework, the practitioner's conclusion shall, unless otherwise required by law or regulation, use the following phrase:
 - i. Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework.

The following table outlines the reporting differences in the various sections of the report between financial statements prepared in accordance with a fair presentation framework and a compliance framework (bold text highlights the differences).

Report Sections	Fair Presentation Financial Reporting Framework	Compliance Financial Reporting Framework
Management's Responsibility for the Financial Statements (<i>in part</i>) <i>Refer to 1.4(b) and 1.4(c) above</i>	Management is responsible for the preparation and fair presentation of the financial statements in accordance with [the applicable financial reporting framework].	Management is responsible for the preparation of the financial statements in accordance with [the applicable financial reporting framework].
Unmodified Conclusion <i>Refer to 1.4(d) and 1.4(e) above</i>	Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly , in all material respects, [...] in accordance with [the applicable financial reporting framework].	Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared , in all material respects, in accordance with [the applicable financial reporting framework].

Factors to consider in deciding whether a financial reporting framework is a fair presentation or compliance framework

- 1.5 Financial reporting frameworks that encompass the financial reporting standards established by an organization that is authorized or recognized to promulgate standards to be used by entities for preparing general purpose financial statements are often designed to achieve fair presentation. Financial reporting frameworks designed to achieve fair presentation include those set out in the *CPA Canada Handbook – Accounting* and the *CPA Canada Public Sector Accounting Handbook*.
- 1.6 The financial reporting framework is not necessarily a fair presentation framework when, for example, the financial reporting framework:
 - a. is not established by such an organization; or
 - b. is based on a fair presentation framework established by such an organization, but does not comply with **all** the requirements of that framework.
- 1.7 It is a necessary feature of a fair presentation framework that it include one of the acknowledgments referred to in paragraph 1.1 of this Q&A. When a financial reporting framework is based on a financial reporting framework discussed in paragraph 1.5 of this Q&A, unless these acknowledgements have

been expressly removed, modified or otherwise overridden, it can usually be presumed that it contains one of these acknowledgments. In Canada, such acknowledgements can be found in:

- a. IAS 1, *Presentation of Financial Statements*, paragraphs 15, 17(c) and 19-24 in Part I of the *CPA Canada Handbook—Accounting*;
- b. *General Standards of Financial Statement Presentation*, paragraphs 1400.03-.06 in Part II of the *CPA Canada Handbook—Accounting*;
- c. *General Standards of Financial Statement Presentation for Not-for-Profit Organizations*, paragraphs 1401.03-.06 in Part III of the *CPA Canada Handbook—Accounting*;
- d. *Pension Plans*, Section 4600 of Part IV of the *CPA Canada Handbook—Accounting* requires entities that apply this Part to comply with the general financial statement presentation requirements in either Part I or Part II so the acknowledgements for Part IV are the respective acknowledgements found in Part I or Part II depending on which Part the entity chooses to follow; and
- e. *Financial Statement Presentation*, paragraphs PS 1200.012-.014 and PS 1201.012-.014 in the *CPA Canada Handbook—Public Sector Accounting*.

When a financial reporting framework is not based on a financial reporting framework discussed above, it is much less likely that such a framework contains such acknowledgments.

- 1.8 However, CSRE 2400 recognizes that even when a framework does contain the acknowledgments referred to in paragraph 1.1 of this Q&A, this is not necessarily sufficient for the financial reporting framework to be a fair presentation framework. Paragraph A16 of CSRE 2400, states that a special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorized or recognized standard-setting organization or by law or regulation that are necessary to achieve fair presentation of the financial statements.
- 1.9 Accordingly, when a financial reporting framework complies with the definition of a fair presentation framework in CSRE 2400 but differs from the financial reporting standards that would normally be used for that type of entity, the practitioner may consider the nature and extent of differences between the framework and those financial reporting standards and the circumstances of the engagement. The following are examples of the practitioner's considerations in this respect:

- a. If the financial statements are prepared to meet the specific information needs of a regulator and the regulator has specified the financial reporting framework for presenting the financial position and results of operations of the entity, the practitioner may be more likely to conclude that the financial reporting framework is a fair presentation framework rather than a compliance framework.
- b. If the financial statements are designed to present the financial position, results of operations and cash flows of an acquired business that is part of an incorporated entity, and the differences between the financial reporting framework and the financial reporting standards that would normally be used for general purpose financial statements for an incorporated entity appear to be designed to achieve fair presentation of the acquired business, the practitioner may be more likely to conclude that the financial reporting framework is a fair presentation framework rather than a compliance framework.
- c. If the financial statements are intended to meet the common information needs of a broad range of users and the differences between the financial reporting framework and the financial reporting standards that would normally be used for general purpose financial statements for that type of entity appear to be pervasive, the practitioner may be more likely to conclude that the financial reporting framework is a compliance framework rather than a fair presentation framework.
- d. If the nature of the financial statements is to present the results of calculations prescribed by a regulator for monitoring compliance, such as a regulatory capital report where there is limited scope for judgment (rather than present the financial position and performance of the entity), the practitioner may be more likely to conclude that the financial reporting framework is a compliance framework than a fair presentation framework.

Introduction to Illustrative Reports

For the purposes of the illustrative reports in this chapter, the following circumstances are assumed, unless indicated otherwise:

	Reference to Guidance
Subject Matter	
<ul style="list-style-type: none"> The practitioner reports on a complete set of financial statements. 	Chapter 5, Section A, Q&A 2
Conclusion	
<ul style="list-style-type: none"> The practitioner has concluded an unmodified conclusion is appropriate. 	
Comparative Information	
<ul style="list-style-type: none"> The practitioner is reporting under the corresponding figures approach (i.e., the practitioner's conclusion on the financial statements refers to the current period only) 	Chapter 4, Q&A 1
Financial Reporting Framework	
<ul style="list-style-type: none"> The applicable financial reporting framework is a fair presentation financial reporting framework. 	Chapter 1, Section D, Q&A 1
<ul style="list-style-type: none"> The practitioner has determined that the general purpose financial reporting framework is acceptable. 	Chapter 1, Section B, Q&A 2
Management's Responsibility for the Financial Statements	
<ul style="list-style-type: none"> The terms of the review engagement reflect the description of management's responsibility for the financial statements in paragraph 28(b) of CSRE 2400. 	
Other Reporting Responsibilities	
<ul style="list-style-type: none"> The practitioner has no other reporting responsibilities required under law or regulation. 	

Illustration 1: Financial Statements Prepared in Accordance with the Terms of a Purchase and Sale Agreement in accordance with a Special Purpose Financial Reporting Framework

Please read the Introduction to Illustrative Reports. For the purposes of this illustrative report, the following additional circumstances are assumed:

Purpose of the financial statements:

- These financial statements are prepared to meet the expressed needs of the parties to the purchase and sale agreement.

Financial reporting framework:

- The special purpose financial reporting framework is described in the financial reporting provisions of Section X of the purchase and sale agreement between the Entity and DEF Company (“the Agreement”).
- The Agreement requires the financial statements to be prepared in accordance with Part II of the *CPA Canada Handbook - Accounting (ASPE)* except that the property has been valued at appraised values rather than in accordance with the accounting standards.
- Management does not have a choice of financial reporting frameworks.

Reporting implications:

- An Emphasis of Matter paragraph is required.
 - Refer to [Q&A 1 of Chapter 3](#)
- Included within the Emphasis of Matter paragraph, information pertaining to an Other Matter is provided to restrict the use, but not the distribution of the report.
 - Refer to [Section C, Q&A 1](#) of this Chapter

INDEPENDENT PRACTITIONERS'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company, that comprise the balance sheet as at December 31, 20X0, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. **The financial statements have been prepared by management of ABC Company based on the financial reporting provisions of Section X of the purchase and sale agreement dated January 1, 20X1 between ABC Company and DEF Company (“the Agreement”).**

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with **the financial reporting provisions of Section X of the Agreement**, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of ABC Company as at December 31, 20X0 and its results of operations and its cash flows for the year then ended **in accordance with the financial reporting provisions of Section X of the Agreement.**

Basis of Accounting and Restriction on Use

Without modifying our conclusion, we draw attention to Note Y to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to comply with the financial reporting provisions of Section X of the Agreement. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of ABC Company and DEF Company and should not be used by parties other than the Directors of ABC Company or DEF Company.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 2: Non-Consolidated Financial Statements Prepared in Accordance with a General Purpose Financial Reporting Framework for a Specific Use

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional circumstances are assumed:

Purpose of the financial statements:

- These financial statements are prepared for a specific use in order to assist ABC Company to prepare its corporate income tax returns filed with the income tax authorities.
- ABC Company also prepared a consolidated set of financial statements for general use.

Financial reporting framework:

- These financial statements are prepared in accordance with Part II of the *CPA Canada Handbook – Accounting (ASPE)*.
- Paragraph 28 of Section 1591, *Subsidiaries*, requires that when an enterprise presents non-consolidated financial statements, it shall describe its financial statements as being prepared on a non-consolidated basis and each statement shall be labeled accordingly. The report would refer to each statement as being non-consolidated.

Reporting implications:

- An Other Matter paragraph is used to restrict the use of the report.
 - Refer to [Section C, Q&A 1](#) of this Chapter

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate addressee]

We have reviewed the accompanying **non-consolidated** financial statements of ABC Company, which comprise the **non-consolidated** balance sheet as at December 31, 20X0, and the **non-consolidated** statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the **Non-Consolidated** Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with **Canadian accounting standards for private enterprises**, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Practitioner's Responsibility for the **Non-Consolidated** Financial Statements*

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the **non-consolidated** financial statements do not present fairly, in all material respects, the financial position of ABC Company as at December 31, 20X0, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Other Matter

ABC Company has prepared a consolidated set of financial statements for the year ended December 31, 20X1 in accordance with International Financial Reporting Standards on which we issued an auditor's report to the shareholders of ABC Company dated March 31, 20X2.

Other Matter—Restriction on Use

These non-consolidated financial statements have been prepared to assist ABC Company to prepare its corporate income tax returns. Our report is intended solely for ABC Company and the income tax authorities and should not be used by parties other than ABC Company or the income tax authorities.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 3: Financial Statements Prepared in accordance with a Special Purpose Financial Reporting Framework that is a Compliance Framework

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional circumstances are assumed:

Purpose of the financial statements:

- These financial statements are prepared to meet the expressed needs of the parties to a contract.

Financial reporting framework:

- The special purpose financial reporting framework is described in the financial reporting provisions of Section Z of the contract dated January 1, 20X1 between the Entity and DEF Company (“the Contract”).
- Management does not have a choice of financial reporting frameworks.
- The special purpose financial reporting framework is a compliance framework.

Reporting implications:

- An Emphasis of Matter paragraph is required.
 - Refer to [Q&A 1 of Chapter 3](#)
- Included within the Emphasis of Matter paragraph, information pertaining to an Other Matter is provided to restrict the use and the distribution of the report.
 - Refer to [Section C, Q&A 1](#) of this Chapter

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate addressee]

We have reviewed the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. **The financial statements have been prepared by management in accordance with the financial reporting provisions of Section Z of the contract dated January 1, 20X1 between ABC Company and DEF Company (“the Contract”).**

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with **the financial reporting provisions of Section Z of the Contract**, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements of ABC Company are not prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist ABC Company to comply with the financial reporting provisions of Section Z of the Contract. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ABC Company and DEF Company and should not be distributed to, or used by parties other than ABC Company or DEF Company.

[Practitioner's signature]

[Practitioner's address]

[Date]

CHAPTER 2

Dating of the Report

This Chapter includes the following Q&A:

- | | | |
|---|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| 1 | On what date must the practitioner date the report? | 40 |
| 2 | When have all the statements that comprise the financial statements, including the related notes, been prepared? | 40 |
| 3 | In Canada, who are “those with the recognized authority”? | 41 |
| 4 | How does the practitioner date the report when a fact becomes known to the practitioner after the date of the report and before the date the financial statements are issued? | 43 |

1 On what date must the practitioner date the report?

- 1.1 Paragraph 103 of CSRE 2400 requires that the report be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence as the basis for the practitioner's conclusion on the financial statements, including being satisfied that:
 - a. All the statements that comprise the financial statements under the applicable financial reporting framework, including the related notes where applicable, have been prepared; and
 - b. Those with the recognized authority have asserted that they have taken responsibility for those financial statements.
- 1.2 Even when the practitioner is satisfied concerning paragraphs 1.1(a) and 1.1(b) of this Q&A, the practitioner may still not be able to date the report because the practitioner has not obtained sufficient appropriate evidence from procedures to support the practitioner's conclusion. For example, the practitioner may still need to obtain evidence with respect to the selection and application of the entity's accounting policies to evaluate whether they are consistent with the applicable financial reporting framework and are appropriate as required by paragraph 77(d)(iii) of CSRE 2400 and to evaluate the adequacy of disclosures in the financial statements as required by paragraph 77(d)(vi) of CSRE 2400.
- 1.3 Paragraphs 35 and 36 of CSQC 1 requires that, for engagements, if any, for which the firm has determined that an engagement quality control review is required, the engagement report shall not be dated until the completion of the engagement quality control review.

2 When have all the statements that comprise the financial statements, including the related notes, been prepared?

- 2.1 Paragraph 28(b)(i) of CSRE 2400 states that the practitioner shall obtain the agreement of management that it acknowledges and understands its responsibilities. One of these responsibilities is the preparation of the financial statements in accordance with the applicable financial reporting framework. There may be instances when the entity has not completed the financial statements and some adjustment or disclosure that could be material to the financial statements is still to be made. This may include, for example, the finalization of the entity's income tax provision or the updating of the financial statements for subsequent events that require adjustment or disclosure. In such a case, the financial statements would be complete when the income tax provision is reflected in the financial statements or, in the case

of subsequent events that require adjustment to or disclosure in the financial statements, when such events have been recognized or disclosed in the financial statements.

- 2.2 If the entity is still in the process of completing the financial statements (for example, the finalization of the entity's bonus accruals and income tax provision), the related procedures on the financial statement items or notes that remain to be completed will not yet have been performed by the practitioner. The practitioner's report must not be dated before the practitioner has obtained sufficient appropriate evidence from procedures to support the practitioner's conclusion.
- 2.3 As explained in paragraph A55 of CSRE 2400, the terms of the review engagement may include the agreement of management to inform the practitioner of facts that may affect the financial statements of which management may become aware during the period from the date of the report to the date the financial statements are issued. Paragraph 69(e) of CSRE 2400 requires the practitioner to request management to provide a written representation that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Paragraph 73 of CSRE 2400 requires that the date of the written representations be as near as practicable to, but not after, the date of the report. In the circumstances where the date of the report is significantly later than the date on which those with the recognized authority took responsibility for the financial statements, the practitioner may remind management of its agreement under the terms of the engagement and its responsibility to provide written representations with respect to subsequent events up to the date of the report.

3 In Canada, who are “those with the recognized authority”?

- 3.1 Paragraph A169 of CSRE 2400 indicates that in some jurisdictions, law or regulation identifies the individuals or bodies (for example, the directors) that are responsible for concluding that all the statements that comprise the financial statements, including the related notes, have been prepared, and specifies the necessary approval process.

- 3.2 In Canada, most incorporating or other governing legislation recognizes the board of directors as having the power to approve the financial statements.¹ Further, such legislation may also prohibit the board of directors from delegating this power to a managing director or a committee of directors.² Accordingly, under such legislation, it is the board of directors that has the recognized authority to assert it has taken responsibility for the financial statements. The practitioner would determine those who have the recognized authority by reference to the relevant legislation.
- 3.3 Some legislation may require that the financial statements be approved by the shareholders or other equivalent body. In this case, paragraph A170 of CSRE 2400 indicates that final approval by shareholders is not necessary for the practitioner to conclude on the financial statements. The date of approval of the financial statements for purposes of this CSRE is the earlier date on which those with the recognized authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for them.
- 3.4 In some cases, the board may approve the financial statements conditional on final changes being approved by a sub-committee of the board. In this case, the report would be dated at the later date when the sub-committee approves the final financial statements, unless such final changes are only to correct typographical errors or make other minor changes that would not involve the practitioner having to obtain further evidence.
- 3.5 For entities whose legislation does not prescribe the necessary approval process for the financial statements, paragraph A169 of CSRE 2400 indicates that the procedures the entity follows in preparing and finalizing its financial statements in view of its management and governance structures are considered in order to identify the individuals or body with the authority to conclude that all statements that comprise the financial statements, including related notes, have been prepared. In this circumstance, the practitioner would discuss with those charged with governance who have the recognized authority to take responsibility for the financial statements.

1 See, for example, section 158(1) of the *Canada Business Corporations Act*, which requires the directors of the corporation to approve the financial statements.

2 See, for example, subsection 115(3)(i) of the *Canada Business Corporations Act*.

4 How does the practitioner date the report when a fact becomes known to the practitioner after the date of the report and before the date the financial statements are issued?

- 4.1 Paragraph 61 of CSRE 2400 states that if, after the date of the report but before the date the financial statements are issued, a fact becomes known to the practitioner that, had it been known to the practitioner at the date of the report, may have caused the practitioner to amend the report, the practitioner shall:
- Discuss the matter with management and, where appropriate, those charged with governance;
 - Determine whether the financial statements need amendment; and if so,
 - Inquire how management intends to address the matter in the financial statements.

- 4.2 If management amends the financial statements,³ the practitioner would need to determine whether law, regulation or the financial reporting framework prohibits:
- management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment; and
 - those responsible for approving the financial statements from restricting their approval to that amendment.

In Canada, Parts II to IV of the *CPA Canada Handbook – Accounting* and Canadian public sector accounting standards, for example, do not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment or those responsible for approving the financial statements from restricting their approval to that amendment. When it is not clear whether such a prohibition exists, the practitioner would consider common practice. With respect to IFRSs in Part I of the *CPA Canada Handbook – Accounting*, research by CPA Canada accounting standards staff indicates that practice globally is not consistent.

- 4.3 The practitioner has two methods available for dating the report when the financial statements are amended after the original date of the report:
- Method 1: Issue a new report as required by paragraph 62(b) of CSRE 2400 (new updated report date – necessary when law, regulation or the financial reporting framework prohibits restricting the amendment)

³ If management does not amend the financial statements, then refer to paragraph 63 of CSRE 2400.

- b. Method 2: Issue an amended report as required by paragraph 62(a) of CSRE 2400 (amended report date for additional date restricted to that amendment – dual date)
- 4.4 For Method 1, as discussed in paragraph 4.3(a) of this Q&A, the practitioner, in accordance with paragraph 62(b) of CSRE 2400, shall extend the procedures on subsequent events to the date of the new updated report date.
- 4.5 For Method 2, as discussed in paragraph 4.3(b) of this Q&A, the practitioner, in accordance with paragraph 62(a) of CSRE 2400 shall carry out procedures necessary in the circumstance on the amendment. The following is an example of how to include an additional date restricted to that amendment:

(March 31, 20X1), except as to Note Y, which is as of April 15, 20X1.

CHAPTER 3

Emphasis of Matter and Other Matter Paragraphs in the Report

This Chapter includes the following Q&As:

- 1 When is the practitioner required to include an Emphasis of Matter or Other Matter paragraph in the report and what are the considerations in deciding whether to include such a paragraph? 46
- 2 What are the reporting implications when reporting on financial statements prepared in accordance with a financial reporting framework that permits or requires a change in accounting policy to be applied prospectively? 50

1 When is the practitioner required to include an Emphasis of Matter or Other Matter paragraph in the report and what are the considerations in deciding whether to include such a paragraph?

Background

- 1.1 Paragraph 15 of CSRE 2400 defines Emphasis of Matter and Other Matter paragraphs as follows:
- a. Emphasis of Matter paragraph—A paragraph included in the report that refers to a matter appropriately presented or disclosed in the financial statements that, in the practitioner’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements.
 - b. Other Matter paragraph—A paragraph included in the report that refers to a matter other than those presented or disclosed in the financial statements that, in the practitioner’s judgment, is relevant to users’ understanding of the review engagement, the practitioner’s responsibilities or the practitioner’s review engagement report.

Emphasis of Matter paragraphs

- 1.2 To include more information in an Emphasis of Matter paragraph than is presented or disclosed in the financial statements may imply that the matter has not been appropriately presented or disclosed. Accordingly, paragraph 95 of CSRE 2400 limits the use of an Emphasis of Matter paragraph to information presented or disclosed in the financial statements.
- 1.3 CSRE 2400 requires the practitioner to include an Emphasis of Matter paragraph in the report in certain circumstances. These circumstances are as follows:
- a. After the financial statements are issued, management amends the financial statements and the practitioner provides a new or amended report on the amended financial statements—paragraph 66 of CSRE 2400 (see [Chapter 4, Section B, Q&A 2](#));
 - b. A material uncertainty exists relating to going concern—paragraph 99 of CSRE 2400; and
 - c. The financial statements are prepared in accordance with a special purpose framework—paragraph 98 of CSRE 2400.

- 1.4 Outside of the specific requirements to include an Emphasis of Matter paragraph in the report referred to in paragraph 1.3 of this Q&A, the use of such a paragraph is a matter of the practitioner's professional judgment. Paragraph 95 of CSRE 2400 requires the practitioner to include an Emphasis of Matter paragraph in the report if the practitioner considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the practitioner's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.
- 1.5 The following examples are circumstances where the practitioner may consider it necessary to include an Emphasis of Matter paragraph:
- a. The practitioner has determined that the financial reporting framework prescribed by law or regulation would be unacceptable but for the fact that it is prescribed by law or regulation;
 - b. An uncertainty exists relating to the future outcome of exceptional litigation or regulatory action;
 - c. A significant subsequent event occurs between the date of the financial statements and the date of the report;
 - d. Early application (where permitted) of a new accounting standard that has a material effect on the financial statements;
 - e. A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position;
 - f. An accounting estimate has been identified as having a high estimation uncertainty;
 - g. Management is required, or elects, to prepare financial statements when the use of the going concern assumption is not appropriate in the circumstances and the financial statements are prepared on an alternative basis determined by the practitioner to be an acceptable financial reporting framework in the circumstances;
 - h. The financial statements represent compliance with the applicable financial reporting framework and, in addition, disclose the extent of compliance with another financial reporting framework; and
 - i. When the prior period financial statements that are misstated, have not been amended and a report has not been reissued, but the corresponding figures have been properly restated or appropriate disclosures have been made in the current period financial statements. Refer to [Chapter 4—Comparative Information, Modified Opinions and Implications of Predecessor Auditors](#) for additional guidance.

- j. When the report on an entity's complete set of financial statements includes an emphasis of matter paragraph and the matter has an impact on the review of the single financial statement or the specific element of a financial statement.
- 1.6 A widespread use of Emphasis of Matter paragraphs may diminish the effectiveness of the practitioner's communication of such matters.
- 1.7 The inclusion of such a paragraph in the report does not affect the practitioner's conclusion and is not a substitute for:
 - a. A modified conclusion when required by the circumstances of a specific review engagement;
 - b. Disclosures in the financial statements that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation.
- 1.8 Paragraph 104 of CSRE 2400, requires the practitioner to prepare documentation that is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand significant matters arising during the engagement. Findings that could result in the inclusion of an Emphasis of Matter paragraph in the report are examples of such significant matters.
- 1.9 Paragraph 96 of CSRE 2400 requires that when the practitioner includes an Emphasis of Matter paragraph in the report the practitioner shall include it immediately after the paragraph that contains the practitioner's conclusion on the financial statements under the heading "Emphasis of Matter," or other appropriate heading.

Other Matter paragraphs

- 1.10 CSRE 2400 requires the practitioner to include an Other Matter paragraph in the report in certain circumstances. These circumstances are as follows:
 - a. After the financial statements are issued, management amends the financial statements and the practitioner provides a new or amended report on the amended financial statements—paragraph 66 of CSRE 2400;
 - b. If the financial statements of the prior period were subject to a review engagement by a predecessor practitioner—paragraph 100 of CSRE 2400; and
 - c. If the financial statements of the prior period were not subject to a review engagement or an audit engagement—paragraph 101 of CSRE 2400.

- 1.11 Outside of the specific requirements to include an Other Matter paragraph in the report referred to in paragraph 1.10 of this Q&A, the use of such a paragraph is a matter of the practitioner's professional judgment. Paragraph 97 of CSRE 2400 requires that, if the practitioner considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the practitioner's judgment, is relevant to users' understanding of the review, the practitioner's responsibilities or the report and this is not prohibited by law or regulation, the practitioner shall do so in a paragraph in the report with the heading "Other Matter" or other appropriate heading.
- 1.12 The following are examples of circumstances in which a practitioner may consider it necessary to include an Other Matter paragraph (this list is not exhaustive):
- a. Where an entity prepares financial statements for a specific use in accordance with a general-purpose framework as discussed in [Chapter 1, Section B, Q&A 1, paragraph 1.3\(b\)](#).
 - b. Where an entity prepares more than one set of financial statements as discussed in [Chapter 1, Section B, Q&A 1, paragraph 1.3\(a\)](#).
 - c. When the report on an entity's complete set of financial statements includes an other matter paragraph and the matter has an impact on the review of the single financial statement or the specific element of a financial statement.
 - d. The possible effect of an inability to obtain sufficient appropriate evidence due to a limitation on the scope of the engagement imposed by management is pervasive, but the practitioner is unable to withdraw from an engagement.
 - e. Law or regulation may require or permit the practitioner to elaborate on matters that provide further explanation of the practitioner's responsibilities in the review of the financial statements or of the report.
 - f. Law or regulation may require the practitioner to communicate about planning and scoping matters in the report, or the practitioner may consider it necessary to communicate about such matters.
 - g. Where an entity did not comply with laws and regulations and the practitioner considered withdrawal from an engagement, but withdrawal from an engagement is not possible, describing the non-compliance with laws and regulation.
 - h. In a comparative financial statements reporting approach, if the practitioner's conclusion on the prior period financial statements differs from the conclusion the practitioner previously expressed.
 - i. When supplementary information can be, but is not clearly differentiated from the financial statements subject to review (see [Chapter 6, Q&A 1](#))

- 1.13 Paragraph A164 of CSRE 2400 indicates that the practitioner may have additional responsibilities to report on other matters that are supplementary to the practitioner's responsibility under CSRE 2400 to report on the financial statements, or the practitioner may be asked to perform and report on additional specified procedures, or to express a conclusion on specific matters. Paragraph A166 of CSRE 2400 indicates that these other reporting responsibilities are addressed in a separate section of the report, to clearly distinguish them from the practitioner's responsibility under CSRE 2400 to report on the financial statements.

2 What are the reporting implications when reporting on financial statements prepared in accordance with a financial reporting framework that permits or requires a change in accounting policy to be applied prospectively?

- 2.1 In some circumstances, an applicable financial reporting framework may permit or require a change in accounting policy to be applied prospectively.

When an entity applies a requirement prospectively in preparing its financial statements, comparative information is not adjusted to achieve comparability with the current period.

- 2.2 It is a matter of professional judgment whether a practitioner would include an Emphasis of Matter paragraph in the report to draw users' attention to a lack of comparability between the current period's figures and the comparative information arising from prospective application of requirements of a financial reporting framework. In certain cases, a lack of comparability arising from prospective application of a requirement will not be fundamental to users' understanding of the financial statements. However, in other cases, for example when the lack of comparability has a pervasive or material effect on the financial statements, the practitioner may consider it necessary to draw users' attention to it.

CHAPTER 4

Comparative Information, Modified Conclusions, and Implications of Predecessor Practitioners

This Chapter includes the following Q&As:

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A Comparative Information

1 What is the difference between “comparative financial statements” and “corresponding figures”?

- 1.1 The Glossary of Terms in the *CPA Canada Handbook—Assurance* defines the terms “comparative information”, “corresponding figures” and “comparative financial statements” as follows:
- a. Comparative information—The amounts and disclosures included in the financial statements in respect of one or more prior periods in accordance with the applicable financial reporting framework.
 - b. Corresponding figures—Comparative information where amounts and other disclosures for the prior period are included as an integral part of the current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period (referred to as “current period figures”). The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.
 - c. Comparative financial statements—Comparative information where amounts and other disclosures for the prior period are included for comparison with the financial statements of the current period but, if audited, are referred to in the auditor’s opinion. The level of information included in those comparative financial statements is comparable with that of the financial statements of the current period.

The definition of comparative financial statements used in this Guide will be adapted to apply to review engagements.

- 1.2 Most financial reporting frameworks require that comparative information be presented. However, a financial reporting framework may not indicate whether the comparative information should be in the form of corresponding figures or comparative financial statements.
- 1.3 The following example illustrates the difference between corresponding figures and comparative financial statements with respect to property, plant and equipment presented in accordance with Canadian accounting standards for private enterprises. Property, Plant & Equipment, paragraph 3061.24 in Part II of the *CPA Canada Handbook—Accounting* states that for each major category of property, plant and equipment there should be disclosure of the cost and accumulated amortization, including the amount of any write-down.

- a. When the comparative information is corresponding figures, the relevant information for the comparative period may only include the net book value for each major category of property, plant and equipment.
 - b. When the comparative information is comparative financial statements, the relevant information for the comparative period would include all the information required by the applicable financial accounting framework (e.g., the cost and accumulated depreciation including the amount of any write-downs, as well as net book value for each major category of property, plant and equipment).
- 1.4 There are two different approaches to reporting on comparative information:
- a. For corresponding figures, the practitioner's conclusion on the financial statements refers to the current period only.
 - b. For comparative financial statements, the practitioner's conclusion refers to each period for which financial statements are presented.
- 1.5 The norm in Canada for review engagement reports on financial statements is for the conclusion to refer to the current period only, unless the practitioner is otherwise specifically engaged to report on each period for which financial statements are presented.

2 What are the reporting implications when a change in accounting policy is applied retrospectively?

- 2.1 Comparative information may be restated for the retrospective application of an accounting policy. Retrospective application is applying a new accounting policy to transactions, other events and conditions as if the policy had always been applied.
- 2.2 For example, paragraph 22 of IAS 8 in Part I of the *CPA Canada Handbook - Accounting* and paragraph 1506.13 in Part II of the *CPA Canada Handbook - Accounting* state that the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.
- 2.3 If, in the practitioner's judgment, the change in accounting policy is fundamental to users' understanding of the financial statements, paragraph 95 of CSRE 2400 requires that an Emphasis of Matter paragraph be included in the report to draw users' attention to the disclosures in the financial statements describing the retrospective application of the new accounting policy. The inclusion of an Emphasis of Matter paragraph in the report requires that the practitioner obtain sufficient appropriate evidence to conclude that the

retrospective application of the new accounting policy is not likely to be materially misstated as presented in the financial statements. (Refer to [Chapter 3—Emphasis of Matter and Other Matter Paragraphs in the Report.](#))

3 What are the reporting implications when the financial reporting framework is not prescriptive as to the required comparative information?

- 3.1 A financial reporting framework may not be prescriptive as to the required comparative information. For example, *General Standards of Financial Statement Presentation*, paragraph 1400.12 in Part II of the *CPA Canada Handbook—Accounting* requires financial statements to be prepared on a comparative basis, unless comparative information is not meaningful or the standards set out in Part II of the *CPA Canada Handbook—Accounting* permit otherwise. Accordingly, in preparing financial statements in accordance with the financial reporting framework, management will use judgment when determining the approach to use in reporting on the comparative information to include with respect to specific amounts or items in the financial statements.
- 3.2 In the circumstance where the financial reporting framework is not prescriptive as to the required comparative information, the practitioner considers whether the nature and extent of comparative information meet the respective definition of comparative information in the Glossary of Terms for the reporting approach adopted in the terms of the engagement. For example, for the comparative financial statements approach, the practitioner would consider whether the comparative information the entity includes in the financial statements would be comparable with that of the financial statements of the current period.
- 3.3 Accordingly, where the financial reporting framework is not prescriptive as to the required comparative information, it is possible that the financial statements of two identical entities, prepared in accordance with the same financial reporting frameworks, could include different comparative information depending on the reporting approach adopted.

4 What are the reporting implications when the prior period financial statements were not reviewed or audited?

- 4.1 Paragraph 101 of CSRE 2400 states that, if the financial statements of the prior period were not subject to a review engagement or an audit engagement, the practitioner shall so state in an Other Matter paragraph in the report.

B Modified Conclusions

1 What are the reporting implications when a misstatement is discovered after the date of the report, but before the financial statements are issued?

1.1 See [Chapter 2, Q&A 4](#).

2 What are the reporting implications when a misstatement is discovered after the date of the report and after the financial statements are issued?

- 2.1 Paragraph 64 of CSRE 2400 states that if, after the date the financial statements have been issued, a fact becomes known to the practitioner that, had it been known to the practitioner at the date of the report, may have caused the practitioner to amend the report, the practitioner shall:
- Discuss the matter with management and, where appropriate, those charged with governance;
 - Determine whether the financial statements need amendment; and if so,
 - Inquire how management intends to address the matter in the financial statements.
- 2.2 If management amends the financial statements,¹ the practitioner would need to determine whether law, regulation or the financial reporting framework prohibits:
- management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment
 - those responsible for approving the financial statements from restricting their approval to that amendment.

In Canada, Parts II to IV of the *CPA Canada Handbook - Accounting* and Canadian public sector accounting standards, for example, do not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment, or those responsible for approving the financial statements from restricting their approval to that amendment. When it is not clear whether such a prohibition exists, the practitioner would consider common practice. With respect to IFRSs in Part I of the *CPA Canada Handbook - Accounting*, research by CPA Canada accounting standards staff indicates that global practice is not consistent.

1 If management does not amend the financial statements, then refer to paragraph 67 of CSRE 2400.

- 2.3 The practitioner has two methods available for dating the report when the financial statements are amended after the financial statements have been issued:
- a. Method 1: Issue a new report as required by paragraph 65(b) of CSRE 2400 (new report date). The practitioner shall extend the procedures on subsequent events to the date of the new report date.
 - b. Method 2: Issue an amended report as required by paragraph 65(a) of CSRE 2400 (amended report date for additional date restricted to that amendment that thereby indicates that the practitioner's procedures on subsequent events are solely restricted to the amendment of the financial statements described in the relevant note to the financial statements—often referred to in practice as dual dating). The following is an example of how to include an additional date restricted to that amendment:

March 31, 20X1, except as to Note Y, which is as of April 15, 20X1.

- 2.4 Paragraph 66 of CSRE 2400 states that if, after the financial statements have been issued, management amends the financial statements and the practitioner provides a new or amended report on the amended financial statements, the practitioner shall include in the new or amended report an Emphasis of Matter paragraph or Other Matter paragraph referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the practitioner.
- 2.5 As explained in A121 of CSRE 2400, if management amends the financial statements subsequent to the date the financial statements are issued, the practitioner may advise management to inform users in receipt of the previously issued financial statements together with the report that the financial statements have been amended and provide them with the amended financial statements together with the report.

3 What are the reporting implications when an unresolved issue in the prior period remains unresolved?

Corresponding figures reporting approach

- 3.1 If the report on the prior period financial statements included a modified conclusion and the matter which gave rise to the modification is unresolved, the practitioner is required, in accordance with paragraph 94(i)(iii), to modify the conclusion on the current period's financial statements and include a reference to the modified conclusion in the prior period's report.
- 3.2 This reference in the report, as explained in paragraph A156 of CSRE 2400, may:
- a. refer to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification when the effects or possible effects of the matter on the current period's figures are material
 - or
 - b. explain that the practitioner's conclusion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and corresponding figures.
- 3.3 See [Illustrative Reports 1](#) and [5](#) for the circumstance in paragraph 3.2(a) of this Q&A and [Illustrative Report 9](#) for the circumstance in paragraph 3.2(b) of this Q&A.

Comparative financial statements reporting approach

- 3.4 Because the report on comparative financial statements applies to the financial statements for each period presented, the practitioner may express a qualified conclusion or an adverse conclusion, disclaim a conclusion, or include an Emphasis of Matter paragraph with respect to one or more periods, while expressing a different practitioner's conclusion on the financial statements of the other period.

4 What are the reporting implications when an unresolved issue in the prior period is resolved?

Corresponding figures reporting approach

- 4.1 There are no reporting implications. If the report on the prior period financial statements, as previously issued, included a modified conclusion and the matter which gave rise to the modification is resolved and properly accounted for or disclosed in the financial statements for the current period in accordance with the applicable financial reporting framework, the practitioner's conclusion on the current period need not refer to the previous modification in accordance with paragraph A157 of CSRE 2400.

Comparative financial statements reporting approach

- 4.2 When the report on the prior period financial statements, as previously issued, included a modified conclusion and the matter which gave rise to the modification is resolved and properly accounted for or disclosed in the financial statements of the current period (e.g., correction of the comparative information) in accordance with the applicable financial reporting framework, the conclusion does not require a modification relating to the comparative information. An Other Matter paragraph may be used to disclose the substantive reasons for the different conclusion.

5 What are the reporting implications when there is a restatement of comparative financial information and the entity:

- a. restates and reissues the prior period financial statements**
- b. restates the comparative information in the current period financial statements but does not issue the prior period financial statements?**

- 5.1 Comparative information may be restated for a number of reasons, (e.g., to reflect the correction of an error or the retrospective application of an accounting policy (see [Section A, Q&A 2](#)). Depending on various factors (e.g., the nature of the restatement and whether the issuance of the financial statements for a subsequent period is imminent), the entity may adopt either of two possible approaches to reflect the restatement:
- a. restate and reissue the prior period financial statements
 - b. restate the comparative financial information in the current period financial statements but not reissue the prior period financial statements.

a. Restates and reissues the prior period financial statements

- 5.2 If a review engagement has been performed on the restated prior period financial statements and the current period financial statements (assuming no other comparative information is being presented), no modification to the report is required.

The reissued report on the restated prior period financial statements shall include an Emphasis of Matter or Other Matter paragraph referring to a note to the financial statements that more extensively discusses the reason for the amendment of the previously issued financial statements and to the earlier report provided by the practitioner as required by paragraph 66 of CSRE 2400 (see [Chapter 3, Q&A 1](#)).

If a review engagement of the prior period's financial statements was performed by a predecessor practitioner, the predecessor may be engaged by management to reissue the report on the restated prior period financial statements. Refer to [Section C, Q&A 2](#) regarding the reporting implications of the involvement of a predecessor practitioner.

b. Restates the comparative information in the current period financial statements

- 5.3 The reporting implications will depend on what the practitioner has been engaged to report on. For example:
- a. The practitioner may be engaged to report on the appropriateness and proper application of the restatement but not to conclude on the restated comparative information taken as a whole. This is the corresponding figures reporting approach as defined in [Section A, Q&A 1](#) in this chapter.
 - b. The practitioner may be engaged to report on the comparative information included in the current period financial statements in addition to the current period financial statements. This is the comparative financial statement reporting approach as defined in [Section A, Q&A 1](#) in this chapter.
 - c. The practitioner may not be engaged to report on anything. This is the corresponding figures reporting approach as defined in [Section A, Q&A 1](#) in this chapter.

Corresponding figures reporting approach

- 5.4 When the practitioner is engaged to report on the appropriateness and proper application of the adjustments to the comparative information, as discussed in paragraph 5.3(a) of this Q&A, the practitioner may do so by

including an Other Matter paragraph reporting on the proper application of the restatement. Paragraph 95 of CSRE 2400 requires the practitioner to include an Emphasis of Matter paragraph in the report if the practitioner considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the practitioner's judgment, is of such importance that is fundamental to the users' understanding of the financial statements. If the circumstance is fundamental to the users' understanding, the practitioner is required to include an Emphasis of Matter paragraph to alert readers that the corresponding figures in the financial statements have been restated. The following are examples of the Emphasis of Matter and Other Matter paragraphs:

Emphasis of Matter (or other appropriate heading)

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that certain comparative information presented for [period ended] has been restated.

Other Matter (or other appropriate heading)

As part of our review of the financial statements of the year ended [end of current reporting period], we also reviewed the adjustments that were applied to restate certain comparative information for the year ended [end of prior reporting period]. Based on our review, nothing has come to our attention that causes us to believe the adjustments are not appropriate and have not been properly applied.

- 5.5 See [Illustrative Report 13](#) for an example of the Other Matter paragraph that includes the Other Matter paragraph discussed in paragraph 5.4 of this Q&A.

Comparative financial statements reporting approach

- 5.6 If the practitioner is engaged to report on the current period's financial statement, as discussed in paragraph 5.3(b) of this Q&A, paragraph 95 of CSRE 2400 requires the practitioner to include an Emphasis of Matter paragraph in the report if the practitioner considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the practitioner's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. If the circumstance is fundamental

to users' understanding, the practitioner is required to include an Emphasis of Matter paragraph to alert readers that the comparative information in the financial statements has been restated, along the following lines:

Emphasis of Matter (or other appropriate heading)
Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that certain comparative information presented for the [period ended] has been restated.

Such wording is consistent with other Illustrative Reports in this Guide (see, for example, [Illustrative Report 15](#)).

6 What are the reporting implications when there is a restatement of comparative information and an opening statement of financial position is presented?

- 6.1 Some financial reporting frameworks require that an entity present a third statement of financial position (i.e., opening balance sheet) as at the beginning of the preceding period in addition to the minimum comparative financial statements required by the financial reporting framework (e.g., see paragraph 40A of IAS 1, *Presentation of Financial Statements*, when an entity applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements and the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period).
- 6.2 When the practitioner is engaged to report on the appropriateness and proper application of the adjustments to the comparative information, the practitioner may do so by including an Other Matter paragraph reporting on the appropriateness and proper application of the restatement. The following is an example of an Other Matter paragraph:

Other Matter (or other appropriate heading)

As part of our review of the financial statements for the year ended December 31, 20X2, we also reviewed the adjustments that were applied to restate certain comparative information for the year ended December 31, 20X0, (not presented herein) which are used to derive the January 1, 20X1, balance sheet. Based on our review, nothing has come to our attention that causes us to believe that the adjustments are not appropriate and have not been properly applied.

- 6.3 When a predecessor practitioner is involved, refer to [Section C, Q&A 3](#) in this Chapter.

C Implications of predecessor practitioners

This Section addresses reporting implications when the prior period financial statements were reviewed by a predecessor practitioner. Where necessary to improve the clarity of this Q&A, the word “successor” has been added to the text of requirements and application material of CSRE 2400 when included in this Guide.

1 What are the reporting implications for the successor’s report when prior period financial statements were reviewed by a predecessor practitioner?

- 1.1 Paragraph 100 of CSRE 2400 indicates that if the financial statements of the prior period were subject to a review engagement or an audit engagement by a predecessor practitioner, the successor practitioner shall state in an Other Matter paragraph in the successor’s report:
 - a. That the financial statements of the prior period were subject to a review engagement or an audit engagement by the predecessor practitioner;
 - b. The type of conclusion expressed by the predecessor practitioner and, if the conclusion was modified, the reasons therefore; and
 - c. The date of the predecessor’s report.
- 1.2 The following is an example of an Other Matter paragraph referring to the predecessor practitioner included in the successor’s report:

Other Matter (or other appropriate heading)
The financial statements for the year ended [end of prior reporting period] were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on [date].

- 1.3 The Other Matter paragraph referred to in paragraph 1.2 of this Q&A may need to be revised when the comparative information in the current period financial statements has been restated from the prior period financial statements, and the predecessor practitioner has not reported on the restated comparative information or the restated financial statements. The following is an example of an Other Matter paragraph referring to the predecessor practitioner in this circumstance (bold text has been used to identify differences in the wording from the example in paragraph 1.2 of this Q&A):

Other Matter (or other appropriate heading)

The financial statements for the year ended [end of prior reporting period] **(prior to the restatement described in Note X to the financial statements)** were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on [date].

- 1.4 Illustrative Reports in this chapter dealing with both the corresponding figures and comparative figures reporting approach when a predecessor practitioner is involved (Illustrative Reports 2, 6, 10, 14, 19 and 4, 8, 12, 16, 17, and 21) therefore, include such an Other Matter paragraph.

2 What are the reporting implications when there is a restatement of comparative information and the entity:

- a. restates and reissues the prior period financial statements**
- b. restates the comparative information in the current period financial statements?**

- 2.1 Comparative information may be restated for a number of reasons, (e.g., to reflect the correction of an error, the retrospective application of an accounting policy (see [Section A, Q&A 2](#)). Depending on various factors (e.g., the nature of the restatement and whether the issuance of financial statements for a subsequent period is imminent), the entity may adopt either of two possible approaches to reflect the restatement:
- a. restate and reissue the prior period financial statements
 - b. restate the comparative information in the current period financial statements.
- 2.2 Irrespective of the approach followed by the entity, the successor practitioner is required by paragraph 55 of CSRE 2400 to obtain sufficient appropriate evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements, including determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, have been restated.

The inability of the practitioner to obtain sufficient appropriate evidence regarding the opening balances may result in one of the following modifications to the conclusion in the report:

- a. a qualified conclusion or a disclaimer of conclusion, as is appropriate in the circumstances

- b. unless prohibited by law or regulation, a conclusion which is qualified or disclaimed, as appropriate, regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position.

([Illustrative Report 17](#) includes an opening statement of financial position)

a. Restates and reissues the prior period financial statements

- 2.3 When the entity restates the prior period financial statements, as discussed in paragraph 2.1(a) of this Q&A, the predecessor practitioner, in some circumstances, may be engaged to reissue the report on the restated prior period financial statements or, in rare circumstances, the successor practitioner will be engaged to perform a review engagement on the restated prior period financial statements.
- 2.4 If the predecessor practitioner does reissue the report on the restated prior period financial statements with an unmodified conclusion, there is no requirement for the successor practitioner to make reference in the report on the current year's financial statements to the fact that the comparative information in the current year's financial statements has been restated. Accordingly, the successor practitioner would issue a report with an unmodified conclusion.
- 2.5 If the successor practitioner has performed a review engagement on the restated prior period financial statements and the current period financial statements (assuming no other comparative financial information is presented) this Q&A does not apply because there is no predecessor practitioner involved. (Refer to [Section B, Q&A 5](#) in this Chapter.)
- 2.6 The predecessor practitioner may be unable or unwilling to reissue the report on the restated prior period financial statements. An Other Matter paragraph of the report is required by paragraph 100 of CSRE 2400 and may indicate that the predecessor practitioner reported on the financial statements of the prior period before amendment.

b. Restates the comparative information in the current period financial statements

- 2.7 When the prior period financial statements that are misstated have not been amended by the entity, but the comparative information has been properly restated or appropriate disclosures have been made in the current period financial statements, as discussed in paragraph 2.1(b) of this Q&A, the reporting implications depend on the involvement of the successor practitioner. For example:

- a. The successor practitioner may be engaged to report on the appropriateness and proper application of the restatement, but neither the successor practitioner nor the predecessor practitioner is engaged to conclude on the restated comparative information taken as a whole.
or
- b. The successor practitioner may be engaged to report on the comparative information included in the current period financial statements in addition to the current period financial statements. Refer to [Section B, Q&A 5](#); there are no implications regarding the predecessor practitioner in this case.

Successor practitioner engaged to report on appropriateness and proper application of the restatement

- 2.8 Under both the corresponding figures and comparative financial statements reporting approaches, when the successor practitioner has been engaged to report on the appropriateness and proper application of the restatement but has not been engaged to perform any other procedures related to the comparative information of the prior period financial statements reviewed by the predecessor practitioner, the successor practitioner may determine it is necessary to clearly communicate this fact. The successor practitioner may consider it appropriate to extend the Other Matter paragraph (referred to in Q&A 1 of this Section) to clarify the successor practitioner's involvement in the comparative information.
- 2.9 The following is an example of the Other Matter paragraph (referred to in Q&A 1 of this Section) included in the successor's report referring to the review of the restatement:

Other Matter (or other appropriate heading)

The financial statements for the year ended [end of the prior reporting period], excluding the adjustments that were applied to restate certain comparative information as described in Note X were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on [date].

As part of our review of the financial statements for the year ended [end of current reporting period], we also reviewed the adjustments applied to restate certain comparative information presented. Based on our review, nothing has come to our attention that causes us to believe that the adjustments are not appropriate and have not been properly applied.

- 2.10 The following is an example of the Other Matter paragraph (referred to in Q&A 1 of this Section and paragraph 2.6 of this Q&A) to clarify the successor practitioner's involvement in the comparative information:

Other Matter (or other appropriate heading)

The financial statements for the year ended [end of the prior reporting period], excluding the adjustments that were applied to restate certain comparative information as described in Note X were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on [date].

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended [end of prior reporting period]. Accordingly, we do not express a conclusion or any other form of assurance on the financial statements for the year ended [end of prior reporting period] taken as a whole.

- 2.11 See [Illustrative Report 16](#) for an example of the Other Matter paragraph that includes the extensions discussed in paragraph 2.10 of this Q&A.

3 What are the reporting implications when there is restatement of comparative information and an opening statement of financial position is presented?

- 3.1 Some financial reporting frameworks require that an entity present a third statement of financial position (i.e., opening balance sheet) as at the beginning of the preceding period in addition to the minimum comparative financial statements required by the financial reporting framework (e.g., see paragraph 40A of IAS 1, *Presentation of Financial Statements* when an entity applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements and the retrospective application, retrospective restatement, or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period). In this circumstance, the opening balance sheet reflects the statement of financial position as at the end of the prior period, reviewed by the predecessor practitioner, subsequent to the adjustments applied to restate the financial information.
- 3.2 If there is no predecessor practitioner involved, see [Section B, Q&A 6](#).

Predecessor practitioner reviewed prior period financial statements

- 3.3 The following assumptions are used as a basis for examples of the reporting implications discussed in paragraph 3.4 of this Q&A in respect of the reporting approach discussed in paragraph 2.7(a) of Q&A 2 in this Section:
- The financial statements are for the year ended December 31, 20X2, with comparative information for the year ended December 31, 20X1.
 - The predecessor practitioner reviewed the financial statements for the years ended December 20X1 and before.
 - The successor practitioner reviewed the December 20X2 financial statements.
 - The December 20X1 comparative information has been restated and an opening balance sheet as at January 1, 20X1, derived from the statement of financial position as at December 31, 20X0, is presented.

Successor practitioner is engaged to report on the appropriateness and proper application of the restatement

- 3.4 The following are examples of references to the reporting on the appropriateness and proper application of the restatement, applying the assumptions in paragraph 3.3 of this Q&A. Adjustments arising from such application were applied to restate the December 20X1 comparative information, and derive

the opening balance sheet as at January 1, 20X1. (Bold text has been used to identify differences in the wording from the examples included in paragraph 1.2 of Q&A 1 in this Section, paragraph 6.2 of Q&A 6 in Section B, and paragraph 2.10 of Q&A 2 in this Section):

- a. When the successor's report includes the Other Matter paragraph referred to in paragraph 1.2 of Q&A 1:

Other Matter (or other appropriate heading)

The financial statements for the years ended December 31, 20X1, and 20X0 (not presented herein but from which the comparative information as at January 1, 20X1 has been derived), excluding the adjustments that were applied to restate certain comparative information as described in Note X were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on [dates] **respectively**.

- b. When the successor's report includes the extension of the Other Matter paragraph referred to in paragraph 6.2 of Section B, Q&A 6:

As part of our review of the financial statements for the year ended December 31, 20X2, we also reviewed the adjustments that were applied to restate certain comparative information as described in Note X, for the year ended December 31, 20X1, **and to derive the statement of financial position as at January 1, 20X1**. Based on our review, nothing has come to our attention that causes us to believe that the adjustments are not appropriate and have not been properly applied.

- c. When the successor's report includes the extension of the Other Matter paragraph referred to in paragraph 2.10 of Q&A 2 in this Section:

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the years ended December 31, 20X1, **and 20X0, or to the statement of financial position as at January 1, 20X1**. Accordingly, we do not express a conclusion or any other form of assurance on those financial statements taken as a whole.

See [Illustrative Report 17](#) for an example of the report in this circumstance.

Predecessor practitioner reviewed financial statements relating to the opening statement of financial position only

- 3.5 The following assumptions are used as a basis for examples of the reporting implications discussed in paragraph 3.6 of this Q&A in respect of the reporting approach discussed in paragraph 2.7(a) of Q&A 2 in this Section:
- The financial statements are for the year ended December 31, 20X2, with comparative information for the year ended December 31, 20X1.
 - The predecessor practitioner reviewed the financial statements for the years ended December 20X0 and before.
 - The successor practitioner reviewed the December 20X2 and December 20X1 financial statements.
 - The December 20X1 comparative information has been restated and an opening balance sheet as at January 1, 20X1, derived from the statement of financial position as at December 31, 20X0, is presented.
- 3.6 The following are examples of references to reporting on the appropriateness and proper application of the restatement, applying the assumptions in paragraph 3.5 of this Q&A, when the successor practitioner is engaged to report on the proper application of the restatement as discussed in paragraph 2.7(a) of Q&A 2 in this Section. Adjustments arising from such application were applied to restate the December 20X1 comparative information and derive the opening balance sheet as at January 1, 20X1. (Bold text has been used to identify differences in the wording from the examples included in paragraph 1.2 of Q&A 1 in this Section, paragraph 6.2 of Q&A 6 in Section B, and paragraph 2.10 of Q&A 2 in this Section):
- a. When the successor's report includes the Other Matter paragraph referred to in paragraph 1.2 of Q&A 1:

Other Matter (or other appropriate heading)

The financial statements for the year ended December 31, 20X0, (not presented herein but from which the comparative information as at January 1, 20X1 has been derived), excluding the adjustments that were applied to restate certain comparative information were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on [date].

- b. When the successor's report includes the extension of the Other Matter paragraph referred to in paragraph 6.2 of Q&A 6 in Section B:

As part of our review of the financial statements for the year ended December 31, 20X2, we also reviewed the adjustments that were applied to restate certain comparative information as described in Note X for the year ended December 31, 20X1, **and to derive the statement of financial position as at January 1, 20X1**. Based on our review, nothing has come to our attention that causes us to believe that the adjustments are not appropriate and have not been properly applied.

- c. If the successor's report includes the extension of the Other Matter paragraph referred to in paragraph 2.10 of Q&A 2 in this Section:

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended **December 31, 20X0, or to the statement of financial position as at January 1, 20X1**. Accordingly, we do not express a conclusion or any other form of assurance on those financial statements taken as a whole.

Introduction to Illustrative Reports

1. The Illustrative Reports also reflect specific circumstances relating to the form of report containing a modification of conclusion, as follows:
 - a. Paragraph 84 of CSRE 2400 states that when the practitioner modifies the conclusion, the practitioner shall use the heading “Qualified Conclusion,” “Adverse Conclusion,” or “Disclaimer of Conclusion,” as appropriate, for the conclusion paragraph.
 - b. Paragraph 86 of CSRE 2400 states that when the practitioner expresses a qualified conclusion due to a material misstatement in the financial statements, the practitioner shall, unless otherwise required by law or regulation, using one of the following phrases as appropriate, state in conclusion, “except for the effects of the matter(s) described in the Basis for Qualified Conclusion paragraph.” Paragraph 91 of CSRE 2400 states that when the modification arises from an inability to obtain sufficient appropriate evidence, the practitioner shall use the corresponding phrase “except for the possible effects of the matter(s)...” described in the Basis for Qualified Conclusion paragraph” for the modified conclusion.
 - c. Paragraph 88(a) of CSRE 2400 states that if there is a material misstatement of the financial statements that relates to specific amounts in the financial statements (including quantitative disclosures), the practitioner shall include in the Basis for Qualified Conclusion section a description and quantification of the financial effects of the misstatements, unless impracticable. If it is not practicable to quantify the financial effects, the practitioner is required to so state in this section. In these Illustrative Reports, it has been assumed that it is practicable to quantify the financial effects of the misstatements in such circumstances.
 - d. Paragraph 88(b) of CSRE 2400 states that if there is a material misstatement of the financial statements that relates to narrative disclosures, the practitioner shall include in the basis for conclusion section an explanation of how the disclosures are misstated. Illustrative Reports do not address this circumstance.
 - e. Paragraph 88(c) of CSRE 2400 contains requirements when there is a material misstatement of the financial statements that relates to non-disclosure of information required to be disclosed. Illustrative Reports do not address this circumstance.
 - f. Paragraph 93 of CSRE 2400 states that if the modification results from an inability to obtain sufficient appropriate evidence, the practitioner shall include in the Basis for Conclusion section the reasons for that inability (see [Illustrative Report 5](#)).
2. When a predecessor practitioner is involved, Illustrative Reports also include, for information purposes, an excerpt from the predecessor report on the prior year’s financial statements to assist understanding of the wording of the report on the current year’s financial statements.

For the purposes of the illustrative reports in this chapter, the following circumstances are assumed, unless indicated otherwise:

Reference to Guidance	
Subject Matter	
<ul style="list-style-type: none"> The practitioner reports on a complete set of financial statements. 	Chapter 5, Section A, Q&A 2
Financial Reporting Framework	
<ul style="list-style-type: none"> The applicable financial reporting framework is a fair presentation financial reporting framework. 	Chapter 1, Section D, Q&A 1
<ul style="list-style-type: none"> The practitioner has determined that the general purpose financial reporting framework is acceptable. 	Chapter 1, Section B, Q&A 2
Management's Responsibility for the Financial Statements	
<ul style="list-style-type: none"> The terms of the review engagement reflect the description of management's responsibility for the financial statements in paragraph 28(b) of CSRE 2400. 	
Other Reporting Responsibilities	
<ul style="list-style-type: none"> The practitioner has no other reporting responsibilities required under law or regulation. 	

Summary of Reports Arising from Circumstances Addressed in this Chapter

Comparative Information—Corresponding Figures and Comparative Financial Statements Reporting Approaches

	Corresponding Figures Reporting Approach— Same Practitioner	Corresponding Figures Reporting Approach— Predecessor Practitioner	Comparative Financial Statements Reporting Approach— Same Practitioner	Comparative Financial Statements Reporting Approach— Predecessor Practitioner
Unresolved qualification from a prior year				
Departure from financial reporting framework	Matter affects current year Illustration 1 page 79	Matter affects current year Illustration 2 page 82	Matter affects both years Illustration 3 page 85	Matter affects both years Illustration 4 page 87
Scope limitation	Matter affects current year Illustration 5 page 91	Matter affects current year Illustration 6 page 94	Matter affects both years Illustration 7 page 97	Matter affects both years Illustration 8 page 99
	Matter affects comparability of current and prior years Illustration 9 page 103	Matter affects comparability of current and prior years Illustration 10 page 106	Matter affects prior year only Illustration 11 page 110	Matter affects prior year only Illustration 12 page 114
Restated comparative information				
Unmodified conclusion in prior year	Illustration 13 page 115	Illustration 14 page 118	Illustration 15 page 121	Illustration 16 page 123 Opening statement of financial position— IFRS Illustration 17 page 127
Qualified conclusion in prior year	Illustration 18 page 131	Illustration 19 page 132	Illustration 20 page 134	Illustration 21 page 138
Misstatement discovered after financial statements issued				
Financial statements reissued	Illustration 22 page 142	N/A	Illustration 23 page 145	N/A

Unresolved Qualification in a Prior Year Arising From a Departure from the Financial Reporting Framework

Illustration 1: Corresponding Figures Reporting Approach Effects of the Matter on the Current Year are Material—Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.
- The practitioner's report on the prior year, as previously issued, included a qualified conclusion arising from a departure from Canadian accounting standards for private enterprises.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The effects of the matter giving rise to the modification of the conclusion in the current year are material.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), that comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our reviews in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the preceding financial year (20X0). Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx in 20X1 and \$xxx in 20X0, property, plant and equipment should be reduced by accumulated depreciation of \$xxx in 20X1 and \$xxx in 20X0, and retained earnings should be decreased by \$xxx in 20X1 and \$xxx in 20X0. Our review conclusion on the financial statements for the year ended December 31, 20X0 was modified because of the effects of this departure from Canadian accounting standards for private enterprises.

Qualified Conclusion

Based on our review, **except for the effects of the matter described in the *Basis for Qualified Conclusion paragraph***, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 2: Corresponding Figures Reporting Approach Effects of the Matter on the Current Year are Material—Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Prior year:

- The financial statements for the prior year were subject to review by a predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required
- The predecessor's report on the prior year, as previously issued, included a qualified conclusion arising from a departure from Canadian accounting standards for private enterprises.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The effects of the matter giving rise to the modification of conclusion in the current year are material.

Excerpt from the predecessor report on the financial statements of ABC Company for the year ended December 31, 20X0:

Basis for Qualified Conclusion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of this financial year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx, property, plant and equipment should be reduced by accumulated depreciation of \$xxx, and retained earnings should be decreased by \$xxx.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the preceding financial year (20X0). Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx in 20X1 and \$xxx in 20X0, property, plant and equipment should be reduced by accumulated depreciation of \$xxx in 20X1 and \$xxx in 20X0, and retained earnings should be decreased by \$xxx in 20X1 and \$xxx in 20X0. The predecessor practitioner's conclusion on the financial statements for the year ended December 31, 20X0 was modified because of the effects of this departure from Canadian accounting standards for private enterprises.

Qualified Conclusion

Based on our review, **except for the effects of the matter described in the *Basis for Qualified Conclusion* paragraph**, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Other Matter

The financial statements for the year ended December 31, 20X0 were reviewed by another practitioner who expressed a qualified conclusion on those financial statements on March 31, 20X1 for the reasons described in the *Basis for Qualified Conclusion* paragraph.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 3: Comparative Financial Statements Reporting Approach Matter Affects Both Years—Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.
- The practitioner's report on the prior year, as previously issued, included a qualified conclusion arising from a departure from Canadian accounting standards for private enterprises.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The effects of the matter giving rise to the modification of the conclusion on the current year are material.

This Illustrative Report using a comparative financial statement reporting approach can be contrasted with the equivalent Illustrative Report using the corresponding figures reporting approach (see [Illustrative Report 1](#) in this Chapter). A reference to the modified review conclusion for the prior year is not necessary under the comparative financial statements reporting approach because the practitioner's conclusion refers to each period for which financial statements are presented.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheets as at December 31, 20X1 **and 20X0**, and the statements of income, retained earnings and cash flows for the **years** then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our **review**. We conducted our **review** in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the preceding financial year (20X0). Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx in 20X1 and \$xxx in 20X0, property, plant and equipment should be reduced by accumulated depreciation of \$xxx in 20X1 and \$xxx in 20X0, and retained earnings should be decreased by \$xxx in 20X1 and \$xxx in 20X0.

Qualified Conclusion

Based on our **review, except for the effects of the matter described in the *Basis for Qualified Conclusion* paragraph, nothing has come to our attention that causes us to believe that** the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1 **and 20X0** and its results of operations and its cash flows for the **years** then ended in accordance with Canadian accounting standards for private enterprises.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 4: Comparative Financial Statements Reporting Approach Matter Affects Both Years—Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Prior year:

- The financial statements of the prior year were subject to review by a predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required
- The predecessor's report on the prior year, as previously issued, included a qualified conclusion arising from a departure from Canadian accounting standards for private enterprises.
- The predecessor's report on the prior year's financial statements is not reissued with the current year's financial statements.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The effects of the matter giving rise to the modification of conclusion in the current year are material.

This Illustrative Report using a comparative financial statement reporting approach can be contrasted with the equivalent Illustrative Report using the corresponding figures reporting approach (see [Illustrative Report 2](#) in this Chapter). A reference to the modified review conclusion of the predecessor practitioner for the prior year is necessary under the comparative financial statements reporting approach because the successor practitioner's conclusion does NOT refer to each period for which financial statements are presented but rather refers to the predecessor practitioner's report where such modification is contained.

Excerpt from predecessor report on the financial statements of ABC Company for the year ended December 31, 20X0:

Basis for Qualified Conclusion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of this financial year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx, property, plant and equipment should be reduced by accumulated depreciation of \$xxx, and retained earnings should be decreased by \$xxx.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the preceding financial year (20X0). Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx in 20X1 and \$xxx in 20X0, property, plant and equipment should be reduced by accumulated depreciation of \$xxx in 20X1 and \$xxx in 20X0, and retained earnings should be decreased by \$xxx in 20X1 and \$xxx in 20X0. The predecessor practitioner's review conclusion on the financial statements for the year ended December 31, 20X0 was modified because of the effects of this departure from Canadian accounting standards for private enterprises.

Qualified Conclusion

Based on our review, **except for the effects of the matter described in the *Basis for Qualified Conclusion* paragraph, nothing has come to our attention that causes us to believe that** the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Other Matter

The financial statements for the year ended December 31, 20X0 were reviewed by another practitioner who expressed a qualified conclusion on those financial statements on March 31, 20X1 for the reasons described in the *Basis for Qualified Conclusion* paragraph.

[Practitioner's signature]

[Practitioner's address]

[Date]

Unresolved Qualification in a Prior Year Arising from a Scope Limitation

Illustration 5: Corresponding Figures Reporting Approach Possible Effects of the Matter on the Current Year Are Material— Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for not-for-profit organizations.
 - Refer to [Chapter 1, Section A](#)

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.
- The practitioner's report on the prior year, as previously issued, included a qualified conclusion arising from a scope limitation.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The possible effects of the matter giving rise to the modification of the conclusion in the current year are material.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC **Not-for-Profit** Organization (the Entity), which comprise the statement of financial position as at December 31, 20X1, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with **Canadian accounting standards for not-for-profit organizations**, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 20X1 and 20X0, current assets as at December 31, 20X1 and 20X0, and net assets as at January 1 and December 31 for both the 20X1 and 20X0 years. Our review conclusion on the financial statements for the year ended December 31, 20X0 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Conclusion

Based on our review, **except for the possible effects of the matter described in the *Basis for Qualified Conclusion* paragraph, nothing has come to our attention that causes us to believe that** the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1, and its results of operations and its cash flows for the year then ended in accordance with **Canadian accounting standards for not-for-profit organizations.**

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 6: Corresponding Figures Reporting Approach Possible Effects of the Matter on the Current Year Are Material — Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for not-for-profit organizations.
 - Refer to [Chapter 1, Section A](#)

Prior year:

- The financial statements for the prior year were subject to review by a predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required
- The predecessor's report on the prior year, as previously issued, included a qualified conclusion arising from a scope limitation.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The possible effects of the matter giving rise to the modification of the conclusion in the current year are material.

Excerpt from the predecessor's report on the financial statements of ABC Not-for-Profit Organization for the year ended December 31, 20X1:

Basis for Qualified Conclusion

In common with many not-for-profit organizations, Not-for-Profit Organization derives revenue from fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 20X1 and 20X0, current assets as at December 31, 20X1 and 20X0, and net assets as at January 1 and December 31 for both the 20X1 and 20X0 years. Our review conclusion on the financial statements for the year ended December 31, 20X0 was modified accordingly because of the possible effects of this limitation in scope.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Not-for-Profit Organization (the Entity), which comprise the statement of financial position as at December 31, 20X2, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 20X2, current assets as at December 31, 20X2, and net assets as at January 1, 20X2 and December 31, 20X2. The predecessor practitioner's review conclusion on the financial statements for the year ended December 31, 20X1 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Conclusion

Based on our review, **except for the possible effects of the matter described in the *Basis for Qualified Conclusion* paragraph**, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X2, and its results of the operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended December 31, 20X1 were reviewed by another practitioner who expressed a qualified conclusion on those financial statements on March 31, 20X2 for the reasons described in the *Basis for Qualified Conclusion* paragraph.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 7: Comparative Financial Statements Reporting Approach Matter Affects Both Years — Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for not-for-profit organizations.
 - Refer to [Chapter 1, Section A](#)

Prior Year:

- The financial statements of the prior year were subject to review by the current practitioner
- The report on the prior year, as previously issued, included a qualified conclusion arising from a scope limitation.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The *possible* effects of the matter giving rise to the modification of the conclusion are material.

This Illustrative Report using a comparative financial statement reporting approach can be contrasted with the equivalent Illustrative Report using the corresponding figures reporting approach (see [Illustrative Report 5](#) in this Chapter). A reference to the modified review conclusion for the prior year is not necessary under the comparative financial statements reporting approach because the practitioner's conclusion refers to each period for which financial statements are presented.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Not-for-Profit Organization (the Entity), which comprise the statements of financial position as at December 31, 20X1 **and 20X0**, and the statements of operations and cash flows for the **years** then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our **review**. We conducted our **review** in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 20X1 and 20X0, current assets as at December 31, 20X1 and 20X0, and net assets as at January 1 and December 31 for both the 20X1 and 20X0 years.

Qualified Conclusion

Based on our **review, except for the possible effects of the matter described in the *Basis for Qualified Conclusion* paragraph**, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1 **and 20X0**, and its results of operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 8: Comparative Financial Statements Reporting Approach Matter Affects Both Years—Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for not-for-profit organizations.
 - Refer to [Chapter 1, Section A](#)

Prior year:

- The financial statements of the prior year were subject to review by a predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required
- The predecessor's report on the prior year, as previously issued, included a qualified conclusion arising from a scope limitation.
- The predecessor's report on the prior year financial statements is not reissued with the current year's financial statements.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The *possible* effects of the matter giving rise to the modification of conclusion are material.

This Illustrative Report using a comparative financial statement reporting approach can be contrasted with the equivalent Illustrative Report using the corresponding figures reporting approach (see [Illustrative Report 6](#) in this Chapter). A reference to the modified review conclusion of the predecessor practitioner for the prior year is necessary under the comparative financial statements reporting approach because the successor practitioner's review conclusion does NOT refer to each period for which financial statements are presented but rather refers to the predecessor practitioner's report where such modification is contained.

Excerpt from the predecessor's report on the financial statements of ABC Not-for-Profit Organization for the year ended December 31, 20X1:

Basis for Qualified Conclusion

In common with many not-for-profit organizations, ABC Not-for-Profit Organization derives revenue from fundraising activities the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of ABC Not-for-Profit Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 20X1 and 20X0, current assets as at December 31, 20X1 and 20X0, and net assets as at January 1 and December 31 for both the 20X1 and 20X0 years. Our review conclusion on the financial statements for the year ended December 31, 20X0 was modified accordingly because of the possible effects of this limitation in scope.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Not-for-Profit Organization (the Entity), which comprise the statement of financial position as at December 31, 20X2, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Qualified Conclusion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities the completeness of which is not susceptible to us obtaining evidence we considered necessary for the purpose of the review. Accordingly, the evidence obtained of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 20X2, current assets as at December 31, 20X2, and net assets as at January 1, 20X2 and December 31, 20X2. The predecessor practitioner's review conclusion on the financial statements for the year ended December 31, 20X1 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Conclusion

Based on our review, **except for the possible effects of the matter described in the *Basis for Qualified Conclusion* paragraph**, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X2, and its results of the operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the year ended December 31, 20X1 were reviewed by another practitioner who expressed a qualified conclusion on those financial statements on March 31, 20X2 for the reasons described in the *Basis for Qualified Conclusion* paragraph.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 9: Corresponding Figures Reporting Approach Possible Effects of the Matter Affect the Comparability of the Current and Prior Years— Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)
- The entity uses the indirect method for reporting cash flows from operating activities.

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.
- The practitioner's report on the prior year, as previously issued, included a qualified conclusion arising from a scope limitation.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The *possible* effects of the matter giving rise to the modification of the conclusion in the current year are material but are limited to the comparability of the current year's figures and the corresponding figures.
- The balance sheet as at December 31, 20X1 is fairly presented, in all material respects, in accordance with Canadian accounting standards for private enterprises. Accordingly, an unmodified conclusion regarding the financial position as at December 31, 20X1 is considered appropriate in the circumstances. However, a conclusion that is qualified regarding comparability of the results of operations and cash flows is considered appropriate in the circumstances.
 - Refer to [Section B, Q&A 5](#) regarding opening balances.
- Law or regulation does not prohibit different conclusions on the same set of financial statements (i.e., a conclusion which is qualified or disclaimed regarding the results of operations, and cash flows and unmodified regarding financial position).

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Conclusions, Including Basis for Qualified Conclusion on the Results of Operations and Cash Flows

Because management did not conduct a count of physical inventory on hand at the beginning of 20X0, we were not able to perform the procedures we considered necessary concerning the inventory quantities at the beginning of that year. Since opening inventories affect the determination of the results of operations and cash flows, we were unable to determine whether adjustments might be necessary to the results of operations and cash flows for the year ended December 31, 20X0. Our review conclusion on the financial statements for the year ended December 31, 20X0 was modified accordingly because of the possible effects of this limitation in scope. As a result, our conclusion on the current year's results of operations and cash flows is modified because of the possible effects of this matter on the comparability of the current period's figures and the comparative information.

Qualified Conclusion on the Results of Operations and Cash Flows

Based on our review, except for the possible effects on the comparative information of the matter described in the *Basis for Conclusions, Including Basis for Qualified Conclusion on the Results of Operations and Cash Flows* paragraph, nothing has come to our attention that causes us to believe that the statements of income, retained earnings and

cash flows do not present fairly, in all material respects, the results of operations and cash flows of the Entity for the year ended December 31, 20X1 in accordance with Canadian accounting standards for private enterprises.

Unmodified Conclusion on the Financial Position

Based on our review, nothing has come to our attention that causes us to believe that the balance sheet does not present fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1 in accordance with Canadian accounting standards for private enterprises.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 10: Corresponding Figures Reporting Approach Possible Effects of the Matter Affect the Comparability of the Current and Prior Years—Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)
- The entity uses the indirect method for reporting cash flows from operating activities.

Prior Year:

- The financial statements for the prior year were subject to review by a predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required
- The predecessor's report on the prior year, as previously issued, included a qualified conclusion arising from the scope limitation.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The *possible* effects of the matter giving rise to the modification of the conclusion in the current year are material but are limited to the comparability of the current year's figures and the corresponding figures.
- The balance sheet as at December 31, 20X1 is fairly presented, in all material respects, in accordance with Canadian accounting standards for private enterprises. Accordingly, an unmodified conclusion regarding the financial position as at December 31, 20X1 is considered appropriate in the circumstances. However, a conclusion that is qualified regarding comparability of the results of operations and cash flows is considered appropriate in the circumstances
 - Refer to [Section B, Q&A 5](#) regarding opening balances
- Law or regulation does not prohibit different conclusions on the same set of financial statements (i.e., a conclusion which is qualified or disclaimed regarding the results of operations, and cash flows, where relevant, and unmodified regarding financial position).

Excerpt from the predecessor's report on the financial statements of ABC Company for the year ended December 31, 20X1:

Basis for Qualified Conclusions

Because management did not conduct a count of physical inventory on hand at the end of 20X0, we were not able to perform the procedures we considered necessary concerning the inventory quantities at the beginning of 20X1. Since opening inventories affect the determination of the results of operations and cash flows, we were unable to determine whether adjustments to the results of operations and cash flows might be necessary for 20X1.

Qualified Conclusion on the Financial Position

Based on our review, except for the possible effects on the comparative information of the matter described in the *Basis for Qualified Conclusion* paragraph, nothing has come to our attention that causes us to believe that the accompanying balance sheet does not present fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1 in accordance with Canadian accounting standards for private enterprises.

Qualified Conclusion on the Results of Operations and Cash Flows

Based on our review, except for the possible effects of the matter described in the *Basis for Qualified Conclusions* paragraph, nothing has come to our attention that causes us to believe that the accompanying statements of income, retained earnings and cash flows do not present fairly, in all material respects, the results of operations and cash flows of ABC Company for the year ended December 31, 20X1 in accordance with Canadian accounting standards for private enterprises.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheet as at December 31, 20X2, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Conclusions, Including Basis for Qualified Conclusion on the Results of Operations and Cash Flows

The predecessor practitioner was not able to perform procedures considered necessary concerning the inventory at December 31, 20X0. Since opening inventories affect the determination of the results of operations and cash flows, the predecessor practitioner was unable to determine whether adjustments might be necessary to the results of operations and cash flows for December 31, 20X1. The predecessor practitioner's review conclusion on the financial statements for the year ended December 31, 20X1 was modified accordingly because of the possible effects of this limitation in scope. As a result, our conclusion on the current year's results of operation and cash flows is modified because of the possible effects of this matter on the comparability of the current year's figures and the comparative information.

Qualified Conclusion on the Results of Operations and Cash Flows

Based on our review, except for the possible effects on the comparative information of the matter described in the *Basis for Conclusions, Including Basis for Qualified Conclusion on the Results of Operations and Cash Flows* paragraph, nothing has come to our attention that causes us to believe that the statements of income, retained earnings and cash

flows do not present fairly, in all material respects, the results of operations and cash flows of the Entity for the year ended December 31, 20X2 in accordance with Canadian accounting standards for private enterprises.

Unmodified Conclusion on the Financial Position

Based on our review, nothing has come to our attention that causes us to believe that the balance sheet does not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X2 in accordance with Canadian accounting standards for private enterprises.

Other Matter

The financial statements for the year ended December 31, 20X1 were reviewed by another practitioner who expressed a modified conclusion on March 31, 20X2 on the statement of financial position as at December 31, 20X1, and on the statements of income, retained earnings and cash flows for the year then ended for the reasons described in the *Basis for Conclusions, Including Basis for Qualified Conclusion on the Results of Operations and Cash Flows* paragraph.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 11: Comparative Financial Statements Reporting Approach Possible Effects of the Matter Affect the Prior Year Only – Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is International Financial Reporting Standards.
 - Refer to [Chapter 1, Section A](#)
- The entity uses the indirect method for reporting cash flows from operating activities.

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.
- The practitioner's report on the prior year, as previously issued, included a qualified conclusion arising from a scope limitation.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The *possible* effects of the matter giving rise to the modification of the conclusion are material.
- The statements of financial position as at December 31, 20X1 and 20X0 are fairly presented, in all material respects, in accordance with International Financial Reporting Standards. Accordingly, an unmodified conclusion regarding the financial position as at December 31, 20X1 and 20X0 is considered appropriate in the circumstances. However, a conclusion that is qualified regarding the financial performance and cash flows for the year ended December 31, 20X0 and unmodified regarding the financial performance and cash flows for the year ended December 31, 20X1 is considered appropriate in the circumstances
 - Refer to [Section B, Q&A 3](#)
- Law or regulation does not prohibit different conclusions on the same set of financial statements (i.e., a conclusion which is qualified or disclaimed regarding the results of operations, and cash flows and unmodified regarding financial position).

This Illustrative Report on IFRS financial statements using a comparative financial statement reporting approach can be contrasted with the equivalent Illustrative Report on ASPE financial statements using the corresponding figures reporting approach (see [Illustrative Report 9](#) in this Chapter). A reference to the modified review conclusion for the prior year and for the possible effects on the comparability of the current period's

figures and the corresponding figures included in [Illustrative Report 9](#), is not necessary under the comparative financial statements reporting approach because the practitioner's conclusion refers to each period for which financial statements are presented.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the statements of financial position as at December 31, 20X1 **and 20X0**, and the statements of comprehensive income, changes in equity and cash flows for the **years** then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our **review**. We conducted our **review** in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Basis for Conclusions, Including Basis for Qualified Conclusion on the Financial Performance and Cash Flows

Because management did not conduct a count of physical inventory on hand at the end of 20X9, we were not able to perform the procedures we considered necessary concerning the inventory quantities at the beginning of 20X0. Since opening inventories affect the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been found necessary to the financial performance and cash flows for the year ended December 31, 20X0.

Qualified Conclusion on the Financial Performance and Cash Flows

Based on our **review, except for the possible effects of the matter described in the *Basis for Conclusions, Including Basis for Qualified Conclusion on the Financial Performance and Cash Flows* paragraph**, nothing has come to our attention that causes us to believe that the statements of comprehensive income, changes in equity and cash flows do not present fairly, in all material respects, the financial performance and cash flows of the Entity for the year ended December 31, 20X0 in accordance with International Financial Reporting Standards (IFRS).

Unmodified Conclusion on the Financial Position, Financial Performance and Cash Flows

Based on our **review**, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1 **and 20X0** and its financial performance and its cash flows for the year ended December 31, 20X1 in accordance with International Financial Reporting Standards.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 12: Comparative Financial Statements Reporting Approach Possible Effects of the Matter Affect Prior Year Only – Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)
- The entity uses the indirect method for reporting cash flows from operating activities.

Prior year:

- The financial statements of the prior year were subject to review by a predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required
- The predecessor's report on the prior year, as previously issued, included a qualified conclusion arising from a scope limitation.
- The predecessor's report on the prior year financial statements is not reissued with the financial statements.

Reporting implications:

- The matter giving rise to the modification of the conclusion in the prior year is unresolved
 - Refer to [Section B, Q&A 3](#)
- The *possible* effects of the matter giving rise to the modification of conclusion are material.

The form of this illustrative Report would be identical to [Illustrative Report 10](#) in this Chapter.

Financial Statements with Restated Comparative Information

Illustration 13: Corresponding Figures Reporting Approach Unmodified Conclusion in Prior Year—Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- A material misstatement has been discovered in the prior year financial statements on which an unmodified conclusion has previously been expressed.
- The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued). Rather, the comparative information has been restated in the current year's financial statements.
- A note to the financial statements fully describes the restatement of the comparative information.

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.

Reporting implications:

- The practitioner has obtained sufficient appropriate evidence over the prior year's closing balances, including the restatement of the comparative information
 - Refer to [Section B, Q&A 5](#)
- The practitioner was not engaged to report on the adjustments that were applied to restate the comparative information.
- The practitioner has added an Emphasis of Matter paragraph referring to the note to the financial statements that fully describe the restatement of the comparative information.

The practitioner may consider it appropriate to report on the adjustments that were applied to restate comparative information or may be engaged to do so. In this case, the practitioner may expand the “Restated Comparative Information” to include the following:

Note X describes the reason for the restatement and also describes the adjustments that were applied to restate certain comparative information.

As part of our review of the financial statements for the year ended December 31, 201X, we also reviewed the adjustments that were applied to restate certain of the comparative information presented for the year ended December 31, 20X0. Based on our review, nothing has come to our attention that causes us to believe the adjustments are not appropriate and have not been properly applied.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Restated Comparative Information

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that certain comparative information presented for the year ended December 31, 20X0 has been restated.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 14: Corresponding Figures Reporting Approach Unmodified Conclusion in Prior Year—Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- A material misstatement has been discovered in the prior year financial statements on which an unmodified conclusion has previously been expressed.
- The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued). Rather, the comparative information has been restated in the current year financial statements.
- A note to the current year financial statements describes the restatement of the comparative information.

Prior year:

- The financial statements for the prior year were subject to review by the predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required.

Reporting implications:

- The successor practitioner has obtained sufficient appropriate evidence over the prior year's closing balances, including the restatement of the comparative information.
 - Refer to [Section C, Q&A 2](#)
- The successor practitioner has added an Emphasis of Matter paragraph referring to the note to the financial statements that fully describe the restatement of the comparative information.
- The successor practitioner has decided to combine the Other Matter paragraph referring to the predecessor practitioner and the Emphasis of Matter paragraph referring to the restatement note into one paragraph entitled "Restated Comparative Information".
- Neither the successor practitioner nor the predecessor practitioner were engaged to provide a review conclusion on the restated comparative information taken as a whole.

The successor practitioner was not engaged to report, and has decided not to report, on the adjustments that were applied to restate the comparative information.

The successor practitioner may consider it appropriate to report on the adjustments that were applied to restate comparative information or may be engaged to do so. In this case, the successor practitioner may expand the “Restated Comparative Information” to include the following:

Note X describes the reason for the restatement and also describes the adjustments that were applied to restate certain comparative information.

As part of our review of the financial statements for the year ended December 31, 201X, we also reviewed the adjustments that were applied to restate certain of the comparative information presented for the year ended December 31, 20X0. Based on our review, nothing has come to our attention that causes us to believe the adjustments are not appropriate and have not been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended December 31, 20X0. Accordingly, we do not express a conclusion or any other form of assurance on those financial statements taken as a whole.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Restated Comparative Information

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that certain comparative information presented for the year ended December 31, 20X0 has been restated. The financial statements for the year ended December 31, 20X0 (prior to the adjustments that were applied to restate certain comparative information explained in Note X) were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on March 31, 20X1.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 15: Comparative Financial Statements Reporting Approach Unmodified Conclusion in Prior Year—Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- A material misstatement has been discovered in the prior year financial statements on which an unmodified conclusion has previously been expressed.
- The previously issued financial statements of the prior year are not amended (i.e., they were not restated and reissued). Rather, the comparative information has been restated in the current year's financial statements.
- A note to the financial statements fully describes the restatement of the comparative information.

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.

Reporting implications:

- The practitioner has obtained sufficient appropriate audit evidence over the prior year's closing balances, including the restatement of the comparative information
 - Refer to [Section B, Q&A 5](#)
- The practitioner has added an Emphasis of Matter paragraph referring to the note to the financial statements that fully describe the restatement of the comparative information

The practitioner's conclusion on the prior year's financial statements was unmodified even though it should have been modified because the previously undiscovered material misstatement. The practitioner's conclusion on the comparative information included in the current period financial statements is also unmodified because the comparative information has been appropriately restated for the material misstatement and the auditor has obtained sufficient appropriate audit evidence regarding the comparative information, including the restatement. Since both conclusions are "unmodified" there is no reason to disclose the substantive reasons for the different conclusions as the conclusions are the same.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheets as at December 31, 20X1 **and 20X0**, and the statements of income, retained earnings and cash flows for the **years** then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our **review**. We conducted our **review** in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our **review**, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1 **and 20X0**, and its results of operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

Restatement of Comparative Information

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that certain comparative information presented for the year ended December 31, 20X0 has been restated.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 16: Comparative Financial Statements Reporting Approach Unmodified Conclusion in Prior Year—Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- A material misstatement has been discovered in the prior year financial statements on which an unmodified conclusion has previously been expressed.
- The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued). Rather, the comparative information has been restated in the current year's financial statements.
- A note to the financial statements describes the restatement of the comparative information.

Prior year:

- The financial statements for the prior year were subject to review by a predecessor practitioner
- The predecessor's report on the prior year's financial statements is not reissued with the current year's financial statements.
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required

Reporting implications:

- The successor practitioner has obtained sufficient appropriate evidence over the prior year's closing balances, included the restatement of the comparative information.
 - Refer to [Section C, Q&A 2](#)
- The successor practitioner has added an Emphasis of Matter paragraph referring to the note to the financial statements that fully describe the restatement of the comparative information.
- Neither the successor practitioner nor the predecessor practitioner were engaged to provide a review conclusion on the restated comparative information taken as a whole.

- The successor practitioner was engaged to report as to the appropriateness, and proper application, of the restatement of the comparative information. Accordingly, the successor practitioner expanded the Other Matter paragraph referring to the predecessor practitioner for additional explanation indicating that the successor practitioner reviewed the adjustments that were applied to restate the comparative information.
 - Refer to [Section C, Q&A 3](#)
- The successor practitioner has decided to combine the Other Matter paragraph referring to the predecessor practitioner (and its expansion to refer to the review of the adjustments) and the Emphasis of Matter paragraph referring to the restatement note into one paragraph entitled “Restated Comparative Information”.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Restated Comparative Information

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that certain comparative information presented for the year ended December 31, 20X0 has been restated.

The financial statements for the year ended December 31, 20X0 excluding the adjustments that were applied to restate certain comparative information were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on March 31, 20X1.

As part of our review of the financial statements for the year ended December 31, 201X, we also reviewed the adjustments applied to restate certain comparative information presented. Based on our review, nothing has come to our attention that causes us to believe the adjustments are not appropriate and have not been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended December 31, 20X0. Accordingly, we do not express a conclusion or any other form of assurance on those financial statements taken as a whole.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 17: Comparative Financial Statements Reporting Approach Unmodified Conclusion in Prior Year—Predecessor for Prior Year—Change in Accounting Policy

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is International Financial Reporting Standards.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- A change in accounting policy has been implemented retrospectively during the year.
- The previously issued financial statements of the prior year are not amended (i.e., they were not restated and reissued). Rather, the comparative information has been restated in the current year's financial statements.
- A note to the financial statements describes the restatement of the comparative information.
- An opening statement of financial position (i.e., as at January 1, 20X1) is included in the financial statements because the restatement has a material effect on the information in the statement of financial position at the beginning of the preceding period
 - Refer to [Section A, Q&A 2](#)

Prior year:

- The financial statements for the prior year (and earlier years) were subject to review by a predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required
- The predecessor's report on the prior year's financial statements is not reissued with the current year's financial statements.

Reporting implications:

- The successor practitioner has obtained sufficient appropriate evidence over the prior year's closing balances, including the restatement of the comparative information
 - Refer to [Section C, Q&A 2](#)
- The successor practitioner has added an Emphasis of Matter paragraph referring to the note to the financial statements that fully describes the restatement of the comparative information
 - Refer to [Section C, Q&A 2](#)
- Neither the successor practitioner nor the predecessor practitioner were engaged to provide a review conclusion on the restated comparative information taken as a whole.

- The successor practitioner was engaged to report as to the appropriateness, and proper application, of the restatement of the comparative information. Accordingly, the successor practitioner expanded the Other Matter paragraph referring to the predecessor practitioner for additional explanation indicating that the successor practitioner reviewed the adjustments that were applied to restate the comparative information
 - Refer to [Section C, Q&A 2](#)
- The successor practitioner has decided to combine the Other Matter paragraph referring to the predecessor practitioner (and its expansion to refer to the review of the adjustments) and the Emphasis of Matter paragraph referring to the restatement note into one paragraph entitled “Restated Comparative Information”.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the statement of financial position as at December 31, 20X2, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X2 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated Comparative Information

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that certain comparative information presented:

- **for the year ended December 31, 20X1 has been restated.**
- **as at January 1, 20X1 has been derived from the statement of financial position as at December 31, 20X0 (not presented herein).**

The financial statements for the years ended December 31, 20X1 and 20X0 (not presented herein but from which the comparative information as at January 1, 20X1 has been derived), excluding the adjustments that were applied to restate certain comparative information were reviewed by another practitioner who expressed an unmodified conclusion on those financial statements on [dates] respectively.

As part of our review of the financial statements for the year ended December 31, 20X2, we also reviewed the adjustments that were applied to restate certain comparative information:

- **for the year ended December 31, 20X1**
- **as at January 1, 20X1.**

Based on our review, nothing has come to our attention that causes us to believe the adjustments are not appropriate and have not been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements:

- **for the year ended December 31, 20X1**
- **for the year ended December 31, 20X0 (not presented herein)**
- **as at January 1, 20X1**

Accordingly, we do not express a conclusion or any other form of assurance on those financial statements taken as a whole.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 18: Corresponding Figures Reporting Approach Qualified Conclusion in Prior Year— Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- The entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.
- The entity has decided, in the current year, to depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.
- The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued). Rather, the comparative information has been restated in the current year's financial statements.
- A note to the financial statements fully describes the restatement of the comparative information.

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.
- The report on the financial statements of the prior year included a qualified conclusion because the entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.

Reporting implications:

- The practitioner has obtained sufficient appropriate evidence over the prior year's closing balances, including the restatement of the comparative information.
 - Refer to [Section B, Q&A 5](#)
- The practitioner has added an Emphasis of Matter paragraph referring to the note to the financial statements that fully describe the restatement of the comparative information
- The practitioner's conclusion on the current period need not refer to the modified conclusion of the previous period as the comparative information has been appropriately adjusted.
 - Refer to [Section B, Q&A 4](#)
- The practitioner was not engaged to report, and has decided not to report, on the adjustments that were applied to restate the comparative information.

The Illustrative Report would be similar to [Illustration 13](#).

Illustration 19: Corresponding Figures Reporting Approach Qualified Conclusion in Prior Year—Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- The entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.
- The entity has decided, in the current year, to depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises with retrospective application.
- The previously issued financial statements for the prior year were not amended (i.e., they were not restated and reissued). Rather, the comparative information has been restated in the current year's financial statements.
- A note to the financial statements fully describes the restatement of the comparative information.

Prior year:

- The financial statements of the prior year were subject to review by a predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required
- The predecessor's report on the financial statements of the prior year, included a qualified conclusion because the entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.

Reporting implications:

- The successor practitioner has obtained sufficient appropriate evidence over the prior year's closing balances, including the restatement of the comparative information
 - Refer to [Section C, Q&A 2](#)
- The successor practitioner's conclusion on the current period need not refer to the modified conclusion of the previous period as the comparative information has been appropriately adjusted
 - Refer to [Section B, Q&A 4](#)

- Neither the successor practitioner nor the predecessor practitioner were engaged to provide a review conclusion on the restated comparative information taken as a whole.
- The successor practitioner was not engaged to report, and has decided not to report, on the adjustments that were applied to restate the comparative information.

The Illustrative Report would be similar to [Illustration 14](#).

Illustration 20: Comparative Financial Statements Reporting Approach Qualified Conclusion in Prior Year—Same Practitioner for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- The entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.
- The entity has decided, in the current year, to depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises with retrospective application.
- The previously issued financial statements for the prior year are not amended (i.e., they were not restated and reissued). Rather, the comparative information has been restated in the current year's financial statements.
- A note to the financial statements fully describes the restatement of the comparative information.

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.
- The report on the financial statements of the prior year, included a qualified conclusion because the entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.

Reporting implications:

- The practitioner has obtained sufficient appropriate evidence over the prior year's closing balances, including the restatement of the comparative information.
 - Refer to [Section B, Q&A 5](#)
- The practitioner has added an Emphasis of Matter (EOM) paragraph referring to the note to the financial statements that fully describe the restatement of the comparative information.
- The practitioner's conclusion on the comparative information (an unmodified conclusion) differs from the conclusion the practitioner previously expressed on the prior year financial statements (a qualified conclusion). Accordingly, the practitioner has decided to include an Other Matter (OM) paragraph referring to the fact that the practitioner's conclusion on the comparative information differs from the conclusion previously expressed on the period year financial statements

- Refer to [Section B, Q&A 5](#)
- The practitioner has decided to combine the OM paragraph referring to the difference in conclusion and the EOM paragraph referring to the restatement note into one paragraph entitled “Restated Comparative Information”.

This Illustrative Report using a comparative financial statement reporting approach can be contrasted with the equivalent Illustrative Report using the corresponding figures reporting approach (see [Illustrative Report 18](#) which refers to [Illustrative Report 13](#) in this Chapter). Since the practitioner’s conclusion refers to each period for which financial statements are presented there is no need for the practitioner to consider whether it is appropriate to report on the adjustments that were applied to restate comparative information or to be engaged to do so. Furthermore, since the practitioner’s conclusion on the comparative information (an unmodified conclusion) differs from the conclusion the practitioner previously expressed on the prior year financial statements (a qualified conclusion), this Illustration includes an OM paragraph related to this fact. The EOM paragraph in this Illustration also refers to the reason for the restatement.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheets as at December 31, 20X1 **and 20X0**, and the statements of income, retained earnings and cash flows for the **years** then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our **review**. We conducted our **review** in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our **review**, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1 **and 20X0** and its results of operations and its cash flows for the **years** then ended in accordance with Canadian accounting standards for private enterprises.

Restated Comparative Information

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that certain comparative information presented for the year ended December 31, 20X0 has been restated to record depreciation not previously recorded.

In our report dated March 20, 20X1, our conclusion on the financial statements for the year ended December 31, 20X0 contained a qualified conclusion because the Entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises. Accordingly, our conclusion on the financial statements for the year ended December 31, 20X0 expressed in that report is different from the conclusion expressed on the comparative information for the year ended December 31, 20X0 in this report because of the restatement of comparative information.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 21: Comparative Financial Statements Reporting Approach Qualified Conclusion in Prior Year—Predecessor for Prior Year

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- The entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.
- The entity has decided, in the current year, to depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.
- The previously issued financial statements for the prior year are not amended (i.e., they were not restated and reissued). Rather, the comparative information has been restated in the current year's financial statements.
- A note to the financial statements fully describes the restatement of the comparative information.

Prior year:

- The financial statements for the prior year were subject to review by a predecessor practitioner
 - Refer to [Section C, Q&A 1](#)—an Other Matter paragraph is required
- The predecessor's report on the financial statements of the prior included a qualified conclusion because the entity did not depreciate property, plant and equipment as required by Canadian accounting standards for private enterprises.
- The predecessor's report on the prior year's financial statements was not reissued with the current year's financial statements.

Reporting implications:

- The successor practitioner has obtained sufficient appropriate evidence over the prior year's closing balances, including the restatement of the comparative information.
 - Refer to [Section C, Q&A 2](#)
- The successor practitioner determined that the restatement was not fundamental to the user's understating of the financial statements and therefore, an Emphasis of Matter paragraph referring to the note to the financial statements that fully describe the restatement of the comparative information has not been including within the report.
- Neither the successor practitioner nor the predecessor practitioner were engaged to provide a review conclusion on the restated comparative information taken as a whole.

- The successor practitioner was engaged to report as to the appropriateness, and proper application, of the restatement of the comparative information. Accordingly, the successor practitioner expanded the Other Matter paragraph referring to the predecessor practitioner for additional explanation indicating that the successor practitioner reviewed the adjustments that were applied to restate the comparative information. The paragraph has been entitled “Other Matter—Restated Comparative Information”
 - Refer to [Section C, Q&A 3](#)

Excerpt from the predecessor’s report on the financial statements of ABC Company for the year ended December 31, 20X0:

Basis for Qualified Conclusion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements, which constitutes a departure from Canadian accounting standards for private enterprises. This is the result of a decision taken by management at the start of the financial year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by \$xxx, property, plant and equipment should be reduced by accumulated depreciation of \$xxx, and retained earnings should be decreased by \$xxx.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Other Matter—Restated Comparative Information

The financial statements for the year ended December 31, 20X0 excluding the adjustments that were applied to restate certain comparative information were reviewed by another practitioner who expressed a qualified conclusion on those financial statements on March 31, 20X1 because no depreciation had been provided in the financial statements, which constituted a departure from Canadian accounting standards for private enterprises.

As part of our review of the financial statements for the year ended December 31, 20X1, we also reviewed the adjustments applied to restate certain comparative information presented. Based on our review, nothing has come to our attention that causes us to believe the adjustments are not appropriate and have not been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended December 31, 20X0. Accordingly, we do not express a conclusion or any other form of assurance on those financial statements taken as a whole.

[Practitioner's signature]

[Practitioner's address]

[Date]

Reissued Financial Statements – Same Practitioner for Prior Year

Illustration 22: Corresponding Figures Reporting Approach

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is Canadian accounting standards for private enterprises.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- A material misstatement has been discovered in the prior year financial statements on which an unmodified conclusion has previously been expressed.
- The previously issued financial statements of the prior year are amended and reissued.
- A note to the financial statements entitled “Amended Financial Statements” that describes the reason for the amendment to the previously issued financial statements.
- Law, regulation or the financial reporting framework DOES NOT prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are not prohibited from restricting their approval to that amendment.

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.

Reporting implications:

- The material misstatement became known to the practitioner after the financial statements were issued that, had it been known to the practitioner at the date of the report, would have caused the practitioner to amend the report.
- The practitioner issued an amended report on the amended financial statements.
 - Refer to [Section B, Q&A 5](#)
- The amended report included an additional date restricted to the amendment to the financial statements.
 - Refer to [Chapter 2, Q&A 4](#)

- The practitioner dated the report using Method 2 because law, regulation or the financial reporting framework does not prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events.
 - Refer to [Section B, Q&A 2](#)
- An Emphasis of Matter (EOM) paragraph is required referring to a note to the financial statements that more extensively discusses the reason for the amendment.
 - Refer to [Section B, Q&A 2](#)
- An Other Matter (OM) paragraph is required referring to the earlier report provided by the practitioner.
 - Refer to [Section B, Q&A 2](#)
- Because both the EOM and OM paragraphs are interrelated, the practitioner has decided to combine the paragraphs into one paragraph entitled “Amended Financial Statements”.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Amended Financial Statements

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that the financial statements that we originally reported on March 20, 20X2 have been amended and describes that matter that gave rise to the amendment of the financial statements.

[Practitioner's signature]

[Practitioner's address]

March 20, 20X2, except as to Note X, which is as of April 15, 20X2

Illustration 23: Comparative Financial Statements Reporting Approach

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The financial reporting framework is International Financial Reporting Standards.
 - Refer to [Chapter 1, Section A](#)

Financial statements:

- A material misstatement has been discovered in the prior year financial statements on which an unmodified conclusion has previously been expressed.
- The previously issued financial statements of the prior year are amended and reissued.
- A note to the financial statements entitled “Amended Financial Statements”, describes the reasons for the amendment to the previously issued financial statements.
- Law, regulation or the financial reporting framework DOES prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events causing that amendment and those responsible for approving the financial statements are prohibited from restricting their approval to that amendment.

Prior year:

- The financial statements of the prior year were subject to review by the current practitioner.

Reporting implications:

- The material misstatement became known to the practitioner after the financial statements were issued that, had it been known to the practitioner at the date of the report, may have caused the practitioner to amend the report.
- The practitioner issued an amended report on the amended financial statements.
 - Refer to [Section B, Q&A 5](#)
- The amended report extends the date of the report.
 - Refer to [Section B, Q&A 2](#)
- The practitioner dated the report using Method 1 because law, regulation or the financial reporting framework does prohibit management from restricting the amendment of the financial statements to the effects of the subsequent event or events.
 - Refer to [Chapter 2, Q&A 4](#)
- An Emphasis of Matter (EOM) paragraph is required referring to a note to the financial statements that more extensively discusses the reason for the amendment

- An Other Matter (OM) paragraph is required referring to the earlier report provided by the practitioner.
- Because both the EOM and OM paragraphs are interrelated, the practitioner has decided to combine the paragraphs into one paragraph entitled “Amended Financial Statements”.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company (the Entity), which comprise the statements of financial position as at December 31, 20X1 **and 20X0**, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the **years** then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our **review**. We conducted our **review** in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our **review**, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of the Entity as at December 31, 20X1 **and 20X0**, and its financial performance and its cash flows for the **years** then ended in accordance with International Financial Reporting Standards.

Amended Financial Statements

Without modifying our conclusion, we draw attention to Note X to the financial statements, which describes that the financial statements that we originally reported on March 20X2 have been amended and describes the matter that gave rise to the amendment of the financial statements.

[Practitioner's signature]

[Practitioner's address]

April 15, 20X2

CHAPTER 5

Historical Financial Information Other Than Financial Statements

This Chapter includes the following Q&As:

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2	Is historical financial information a complete set of financial statements or other historical financial information?	151
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Illustrative Reports

The following Illustrations are included in this chapter:

Illustration 1: Schedule of Operating Costs Prepared in Accordance with the Terms of a Lease Agreement	161
Illustration 2: Schedule of Gross Sales Prepared in Accordance with the Terms of a Lease Agreement	163

A Historical financial information, other than financial statements

1 What is “historical financial information”?

- 1.1 The Glossary of Terms in the *CPA Canada Handbook—Assurance* defines “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.
- 1.2 An entity may prepare information that is not historic financial information. The information may, for example, not be expressed in financial terms, such as the number of containers processed in a recycling facility, or it may not relate to economic events occurring in past time periods (e.g., projections or forecasts of financial performance).

A review of such information is not conducted in accordance with CSRE 2400. The practitioner may refer to the [Appendix](#) of this chapter for guidance.

2 Is historical financial information a complete set of financial statements or other historical financial information?

- 2.1 When the practitioner is engaged to report on a complete set of financial statements, the practitioner:
 - reports on such financial statements with no modification for the requirements in paragraph 94(e) and 98 of CSRE 2400 (for a general purpose framework), or
 - reports with modifications for paragraphs 94(e) and 98 (for a special purpose framework).
- 2.2 The Glossary of Terms in the *CPA Canada Handbook—Assurance* defines the term “financial statements” as a structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time, or the changes therein for a period of time, in accordance with a financial reporting framework. It also states that the term ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework.

General Purpose Financial Reporting Framework

- 2.3 When the applicable financial reporting framework is one of the financial reporting frameworks in the *CPA Canada Handbook – Accounting*, the *CPA Canada Handbook – Public Sector Accounting*, or another generally accepted general purpose framework such as U.S. GAAP, the application of all the requirements of such a framework typically results in the preparation of a complete set of financial statements.
- 2.4 A complete set of financial statements comprises financial statements designed as an integrated package to provide information for users. For example, general purpose financial statements comprising a balance sheet, income statement and statement of cash flows are designed to present, as an integrated package, the financial position, financial performance/results of operations and cash flows of an entity. However, some financial reporting frameworks may prescribe financial information that is not integrated but comprises a package of individual financial statements or schedules (e.g., when a lender requires separate statements identifying financial statement items for debt covenant purposes). Such a package of financial information would likely not constitute a complete set of financial statements. Therefore, the practitioner may need to consider the underlying objective of the package of financial information in determining whether the package is a complete set of financial statements or not, and whether or not to adapt the requirements in CSRE 2400.

Special Purpose Financial Reporting Framework

- 2.5 When a special purpose financial reporting framework prescribes the presentation of financial statements and disclosures to communicate the economic resources or obligations at a point in time or the changes therein for a period of time, these financial statements comprise a complete set of financial statements, even though the special purpose financial reporting framework does not require all the financial statements or disclosures that would be required by a general purpose financial reporting framework. This is because the Glossary of Terms indicates a complete set of financial statements “as determined by the requirements of the applicable financial reporting framework,” and because the special purpose financial reporting framework is designed to meet the financial information needs of specific users.

B Applicable standards

1 Which standards apply to the review of historical financial information other than financial statements?

- 1.1 CSRE 2400 is to be applied in the review of financial statements and other historical financial information. Other Canadian Standards, in the *CPA Canada Handbook—Assurance*, contains engagement standards that are applied in a variety of engagements other than reviews of financial statements and other historical financial information. In some cases, it may not be clear which engagement standards the practitioner uses when engaged to report on information (see the [Appendix](#) to this Chapter for a decision tree that assists in deciding which standards are applicable to the information under review).

C Financial reporting framework and impact on the report

1 How is the financial reporting framework described in the report when reporting on historical information other than financial statements?

- 1.1 CSRE 2400 applies to a review of financial statements and is to be adapted as necessary in the circumstances when applied to reviews of other historical financial information such as reviews of single financial statements and specific elements, accounts or items of a financial statement.
- 1.2 Accordingly, before accepting an engagement to report on historical financial information other than financial statements, paragraph 28(a) of CSRE 2400 requires the practitioner to determine the acceptability of the financial reporting framework applied in the preparation of historical financial information other than financial statements. Such determination may include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable intended users to understand the information conveyed in the historical financial information other than financial statements, and the effect of material transactions and events on the information conveyed in the historical financial information other than financial statements.
- 1.3 Paragraph 77(e) of CSRE 2400 requires the practitioner to evaluate whether the historical financial information other than financial statements adequately refer to or describe the applicable financial reporting framework. In the case

of historical financial information other than financial statements prepared in accordance with the provisions of a contract, the practitioner may evaluate whether the historical financial information other than financial statements adequately describes any significant interpretations of the contract on which the historical financial information other than financial statements is based.

- 1.4 A financial reporting framework ordinarily embodies sufficient broad principles that can serve as a basis for developing and applying accounting policies that are consistent with the concepts underlying the requirements of the financial reporting framework. Accordingly, even when a financial reporting framework requires minimal disclosures be provided in the notes to the historical financial information other than financial statements, the historical financial information other than financial statements should include a description of the applicable financial reporting framework.
- 1.5 In some cases, a simple reference (e.g., to the financial reporting provisions of a contract) may be sufficient to describe the financial reporting framework. This would be the case, for example, when the financial reporting provisions of the contract are sufficiently detailed and not subject to significant interpretation. In other cases, more detail may need to be provided as to the principles and any significant interpretations used as a basis for developing and applying accounting policies in the preparation of the historical financial information other than financial statements.
- 1.6 When historical financial information other than financial statements is prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorized or recognized standards setting organization for the preparation of a complete set of financial statements (e.g., International Financial Reporting Standards or Canadian accounting standards for private enterprises), determination of the acceptability of the applicable financial reporting framework may involve considering whether the applicable financial reporting framework includes all the recognition, measurement, presentation and disclosure requirements of the framework on which it is based that are relevant to the preparation of historical financial information other than financial statements.
- 1.7 In many cases, the financial reporting framework for preparation of historical financial information other than financial statements may not specify which accounting policies to apply, or may make a general statement (e.g., that the historical financial information other than financial statements be prepared in accordance with “Canadian generally accepted accounting principles”). This creates the following challenges for management and the practitioner:

- a. Because Canadian GAAP includes different financial reporting frameworks, management needs to identify an appropriate financial reporting framework for the purpose of the historical financial information other than financial statements that is being prepared. This financial reporting framework is often, but not always, the same financial reporting framework used in preparing the entity's complete set of financial statements.
 - b. The financial reporting framework may not explicitly address the preparation of the historical financial information other than financial statements. Therefore, management may need to make accounting policy choices designed to ensure recognition and measurement consistent with the financial reporting framework.
 - c. When other financial statement items are interrelated with the financial statement items included in the historical financial information other than financial statements being prepared by management, determining the accounting policy relevant to preparation of the historical financial information other than financial statements may be complex (e.g., when reporting on accounts receivable, the accounting policy on revenue recognition may be relevant).
 - d. In prescribing that the historical financial information other than financial statements be prepared in accordance with, for example, "Canadian accounting standards for private enterprises (ASPE)," the intention of those prescribing the financial reporting framework may only have been that the historical financial information other than financial statements be prepared in accordance with the recognition and measurement requirements of ASPE and not all the related disclosures that ASPE would require or all presentation requirements that ASPE would require for a complete set of financial statements. Therefore, a description of the framework may be that "the other historical financial information is prepared in accordance with the recognition and measurement requirements of ASPE".
- 1.8 For these reasons, the practitioner's decision as to the acceptability of the financial reporting framework and the form of conclusion the practitioner can express on the historical financial information other than financial statements requires the use of professional judgment. For example, when the historical financial information other than financial statements is extracted directly from the entity's complete set of financial statements and the related accounting policies and disclosures are easy to identify, the practitioner considers whether the financial reporting framework can be appropriately described as one of the financial reporting frameworks in the *CPA Canada*

Handbook-Accounting or the *CPA Canada Handbook-Public Sector Accounting* and the practitioner's conclusion expressed in relation to that financial reporting framework.

- 1.9 In reaching a conclusion regarding the acceptability of the financial reporting framework, the practitioner considers whether the historical financial information other than financial statements takes into account all relevant requirements of the financial reporting framework, including those dealing with such things as subsequent events, related-party disclosures, and financial instrument recognition and measurement.
- 1.10 If the financial reporting framework for the historical financial information other than financial statements takes into account all the requirements of the financial reporting framework for the complete set of financial statements, the financial reporting framework becomes a general purpose framework and the report is based on the requirements in paragraph 94 of CSRE 2400.
- 1.11 If the financial reporting framework for the historical financial information other than financial statements does not take into account all the requirements of the financial reporting framework for the complete set of financial statements, (e.g., for a schedule of operating costs prepared in accordance with the terms of a lease agreement where the specific element, accounts or items included in the schedule are specifically defined in the lease agreement), the practitioner may conclude that the financial reporting framework applied in the preparation of the historical financial information other than financial statements cannot be appropriately described as one of the financial reporting frameworks in *CPA Canada Handbook-Accounting* or *CPA Canada Handbook-Public Sector Accounting* and it would not be appropriate for management to state they are in compliance with that financial reporting framework or for the practitioner's conclusion to be expressed in relation to that financial reporting framework. In such a circumstance, it may be possible to describe the financial reporting framework by reference to the financial reporting provisions of the lease agreement, or by reference to a note describing the accounting policies applied to prepare the information. Such a financial reporting framework is a special purpose framework and the report would be based on the requirements in paragraph 94 of CSRE 2400 with modification for paragraph 94(e).
- 1.12 Paragraph 94(e)(ii) of CSRE 2400 requires that if management has a choice of financial reporting frameworks in the preparation of historical financial information other than financial statements, the explanation of management's responsibility for the historical financial information other than financial

statements shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances. (Refer to [Q&A 2 in Section C of Chapter 1](#) in this Guide for guidance when management has a choice of financial reporting frameworks in the preparation of special purpose financial statements.)

2 Is the financial reporting framework a fair presentation or a compliance framework when reporting on historical financial information other than financial statements?

- 2.1 In reporting in accordance with CSRE 2400, the practitioner needs to consider whether the financial reporting framework is a fair presentation or a compliance financial reporting framework. (Refer to [Q&A 1 in Section D of Chapter 1](#) in this Guide for guidance on fair presentation versus compliance frameworks.)

3 How does the practitioner describe the historical financial information other than financial statements in the practitioner's report?

- 3.1 When the practitioner is engaged to review historical financial information other than financial statements, the practitioner may need to clarify the scope of the engagement because this will affect how the practitioner plans and performs the engagement and the form of the report.
- 3.2 Doing so may become more important when the entity is required to prepare a package of financial information comprising separate individual financial statements, separate schedules or several columns within a schedule.
- 3.3 It is important that the report clearly explain the information on which the practitioner is reporting so readers can understand, for example, whether the practitioner is reporting on the package taken as a whole, separately on historical information other than financial statements, or separately on the individual items within the historical financial information other than financial statements. In some cases, the practitioner may consider it more appropriate to issue two or more reports on the package of historical financial information other than financial statements to facilitate this understanding.

4 How does the practitioner describe the historical financial information other than financial statements in the conclusion paragraph of the report?

- 4.1 When the practitioner is reporting on financial information other than financial statements prepared in accordance with a fair presentation framework, the conclusion paragraph in the report would be worded as follows:

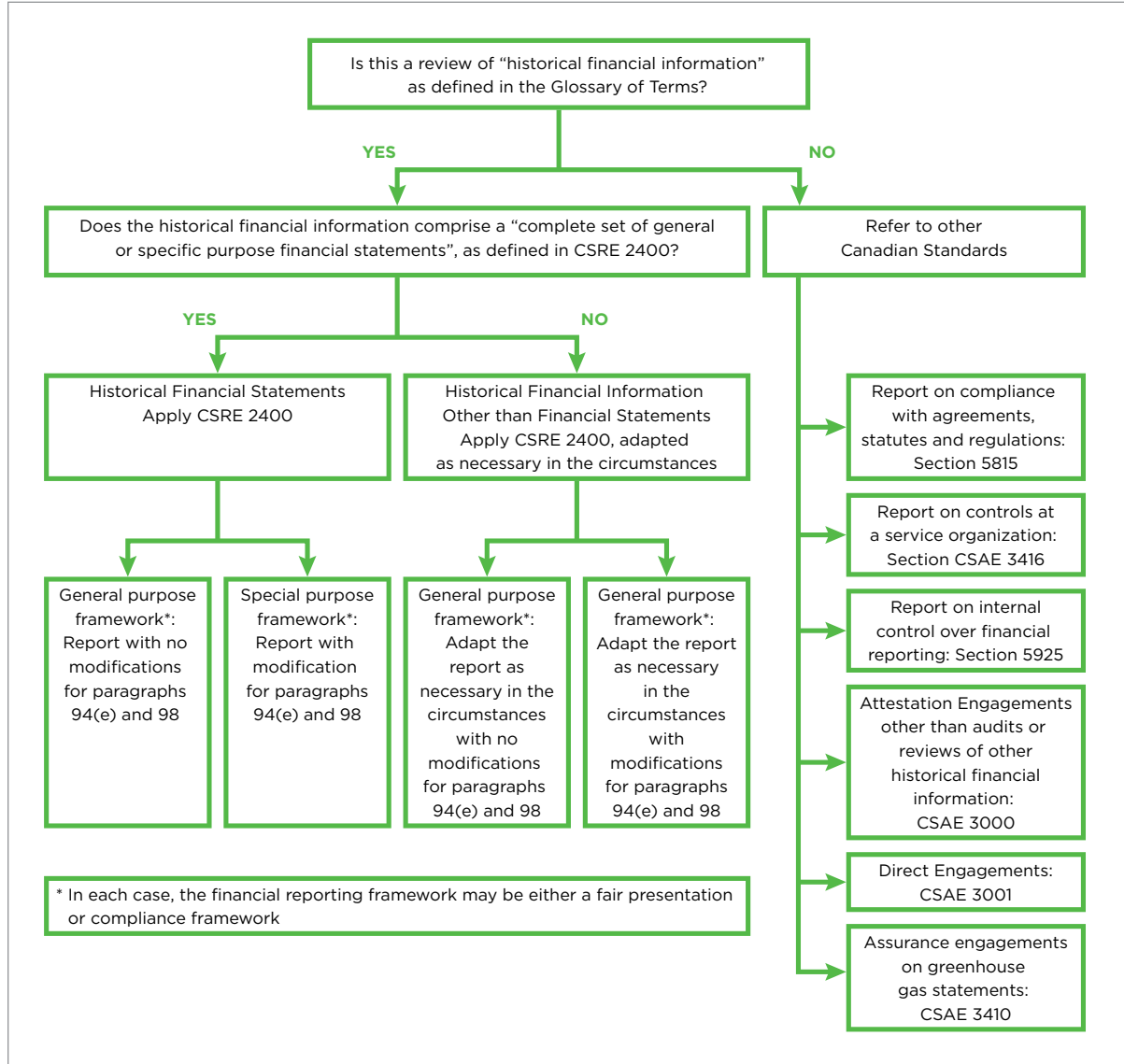
“Based on our review, nothing has come to our attention that causes us to believe that the [other historical financial information] do not present fairly, in all material respects, the [insert what the other historical information is designed to present] of [ABC Entity] as at [date] in accordance with [the applicable financial reporting framework].”

- 4.2 When the practitioner is reporting financial information other than financial statements prepared in accordance with a compliance framework, the practitioner’s conclusion may be worded as follows:

“Based on our review, nothing has come to our attention that causes us to believe that the [other historical financial information] of ABC Entity [“as at” or “for the period ended”, as appropriate] December 31, 20X1, is not prepared, in all material respects, in accordance with [the applicable financial reporting framework].”

Appendix

Decision tree for deciding which standards apply to information under review.



Introduction to Illustrative Reports

For the purposes of the illustrative reports in this chapter, the following circumstances are assumed, unless indicated otherwise:

	Reference to Guidance
Subject Matter	
<ul style="list-style-type: none"> The practitioner reports on other historical financial information. 	Chapter 5, Section A, Q&A 2
Conclusion	
<ul style="list-style-type: none"> The practitioner has concluded an unmodified conclusion is appropriate. 	
Comparative Information	
<ul style="list-style-type: none"> The practitioner is reporting under the corresponding figures approach (i.e., the practitioner's conclusion on the financial statements refers to the current period only) 	Chapter 4, Q&A 1
Financial Reporting Framework	
<ul style="list-style-type: none"> The applicable financial reporting framework is a compliance financial reporting framework. 	Chapter 1, Section D, Q&A 1
<ul style="list-style-type: none"> The practitioner has determined that the special purpose financial reporting framework is acceptable. 	Chapter 1, Section C, Q&A 3
<ul style="list-style-type: none"> Management does not have a choice of financial reporting frameworks in the preparation of the financial information (special purpose financial reporting framework). 	Chapter 1, Section C, Q&A 2
Management's Responsibility for the Financial Statements	
<ul style="list-style-type: none"> The terms of the review engagement reflect the description of management's responsibility for the financial statements in paragraph 28(b) of CSRE 2400. 	
Other Reporting Responsibilities	
<ul style="list-style-type: none"> The practitioner has no other reporting responsibilities required under law or regulation. 	

Illustration 1: Schedule of Operating Costs Prepared in Accordance with the Terms of a Lease Agreement

Please read the Introduction to the Illustrative Reports. For purposes of this illustrative report, the following additional circumstances are assumed:

Purpose and preparation of the historical financial information:

- The schedule of operating costs of DEF Property is prepared to assist in meeting the requirements of the lease agreement of DEF Property.
- The tenants of DEF Property are provided with the schedule of operating costs as required by Section Z of ABC Entity's lease agreement for DEF Property. The tenants are an intended user of the schedule.

Financial reporting framework:

- The financial reporting framework is prescribed by Section X of ABC Entity's lease agreement for DEF Property.
- The notes to the schedule describe the financial reporting framework by reference to the financial reporting provisions of Section X of ABC Entity's lease agreement for DEF Property.

Reporting implications:

- An Emphasis of Matter paragraph is required. Use of the report is restricted, but distribution of the report is not restricted. Other choices are permitted.
 - Refer to [Q&A 1 in Section B of Chapter 1](#) in this Guide for the permitted choices.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying **schedule of operating costs for DEF Property** for the year ended December 31, 20X1, and a summary of significant accounting policies and other explanatory information (together "the schedule"). **The schedule has been prepared by management based on the financial reporting provisions in Section X of ABC Entity's lease agreement for DEF Property.**

Management's Responsibility for the Schedule

Management of **ABC Entity** is responsible for the **preparation of the schedule** in accordance with **the financial reporting provisions in Section X of ABC Entity's lease agreement for DEF Property**, and for such internal control as management determines is necessary to enable the preparation of the **schedule** that is free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying **schedule** based on our **review**. We conducted our **review** in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of the schedule in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on this **schedule**.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that **the schedule** is not prepared, in all material respects, in accordance with **the financial reporting provisions in Section X of ABC Entity's lease agreement for DEF Property**.

Basis of Accounting and Restriction on Use

Without modifying our conclusion, we draw attention to Note Y to the schedule, which describes the basis of accounting. The schedule is prepared to assist ABC Entity to meet the requirements of Section Z of ABC Entity's lease agreement for DEF Property. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for ABC Entity and the tenants of DEF Property and should not be used by parties other than ABC Entity and the tenants of DEF Property.

[Practitioner's signature]

[Practitioner's address]

[Date]

Illustration 2: Schedule of Gross Sales Prepared in Accordance with the Terms of a Lease Agreement

Please read the Introduction to the Illustrative Reports. For purposes of this illustrative report, the following additional circumstances are assumed:

Purpose and preparation of the financial statements:

- The schedule of gross sales of tenant DEF Entity at Store GHI is prepared to assist in meeting the requirements of the lease agreement between ABC Entity and DEF Entity for the store.
- The landlord, ABC Entity, is provided with the schedule of gross sales as required by Section Z of the lease agreement. The landlord is an intended user of the schedule.

Financial reporting framework:

- The financial reporting framework is prescribed by Section X of the lease agreement. The financial reporting framework requires that the schedule of gross sales be prepared in accordance with “Canadian GAAP”. Because Canadian GAAP includes different financial reporting frameworks, management has a choice of financial reporting frameworks in the preparation of the schedule.
- The notes to the schedule describe the financial reporting framework by reference to the financial reporting provisions of the lease agreement, management’s choice of financial reporting framework and any interpretations of the provisions of the lease agreement.

Reporting implications:

- An Emphasis of Matter paragraph is required. Use of the report is restricted, but distribution of the report is not restricted. Other choices are permitted.
 - Refer to [Q&A 1 in Section B of Chapter 1](#) in this Guide for the permitted choices.

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying **schedule of gross sales at store GHI** for the year ended December 31, 20X1, including a summary of significant accounting policies and other explanatory information (together "the schedule"). **The schedule has been prepared by management of DEF Entity using the basis of accounting described in Note Y.**

Management's Responsibility for the Schedule

Management of **DEF Entity** is responsible for the **preparation of the schedule in accordance with the basis of accounting described in Note Y; this includes determining that the applicable financial reporting framework is acceptable for the preparation of the schedule in the circumstances**, and for such internal control as management determines is necessary to enable the preparation of the **schedule** that is free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying **schedule** based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of the **schedule** in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on this schedule.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the **schedule** is not prepared, in all material respects, in accordance with **the basis of accounting described in Note Y.**

Basis of Accounting and Restriction on Use

Without modifying our conclusion, we draw attention to Note Y to the schedule, which describes the basis of accounting. The schedule is prepared to assist DEF Entity to meet the requirements of Section Z of the store GHI lease agreement. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for ABC Entity and DEF Entity and should not be used by parties other than ABC Entity and DEF Entity.

[Practitioner's signature]

[Practitioner's address]

[Date]

CHAPTER 6

Supplementary Information Presented with the Financial Statements

This Chapter includes the following Q&A:

- 1 When supplementary information is presented with the financial statements, how does this affect the report?

166

Background

- 1 In some circumstances, an entity may be required by law, regulation or standards, or may voluntarily choose, to present information, together with the financial statements subject to review, that is not required by the applicable financial reporting framework. Such information is described in the Glossary of Terms in the *CPA Canada Handbook - Assurance* as “supplementary information.”
- 2 Supplementary information may be presented to enhance a user’s understanding of the applicable financial reporting framework or to provide further explanation of specific financial statement items. Normally, supplementary information is presented in either supplementary schedules or as additional notes. For example, the information may be presented in supplementary schedules that disaggregate certain financial statement line items (e.g., a schedule describing the components of selling and administrative expenses) or in additional notes explaining the extent to which the financial statements comply with another financial reporting framework (e.g., a reconciliation to U.S. GAAP).

1 When supplementary information is presented with the financial statements, how does this affect the report?

- 1.1 This Q&A provides guidance to assist practitioners when reporting on supplementary information (see the Appendix to this Q&A for a decision tree that assists in understanding the implications of supplementary information on the report).
- 1.2 This Q&A does not address the circumstances in which the practitioner is specifically requested to conduct a separate engagement to report on supplementary information, whether or not presented with the financial statements. In this circumstance, the practitioner will conduct the engagement in accordance with the appropriate CASs or Other Canadian Standards.

Information is not presented with the financial statements

- 1.3 When information is not presented with the financial statements subject to review, it is not supplementary information and is not discussed in this Q&A. The practitioner may need to refer to:
 - CSOA 5000, *Use of the Practitioner’s Communication or Name*, if the practitioner is requested by the entity to consent to the use of the practitioner’s communication or name in connection with accompanying information

- CSRS 4460, *Reports on Supplementary Matters Arising from an Audit or a Review Engagement*, if the practitioner has been requested to accept an other reporting responsibility having all of the attributes outlined in paragraph 1 of CSRS 4460.

Information is required by the financial reporting framework

- 1.4 When information is presented with the financial statements subject to review, the practitioner needs to determine whether the information is required by the financial reporting framework. If the information is required by the financial reporting framework, that information is not supplementary information, is subject to review and is covered by the report on the financial statements.

The practitioner is requested to review supplementary information as part of the review of the financial statements

- 1.5 In some circumstances, law or regulation may require, or management may request, that the supplementary information be subject to review as part of the review of the financial statements. In this case, the practitioner would plan the review so that it is performed to obtain sufficient appropriate evidence about the supplementary information.
- 1.6 In forming a conclusion on the financial statements, the practitioner would evaluate whether, in the practitioner's professional judgment, the supplementary information is nevertheless an integral part of the financial statements (e.g., placed next to the financial statements, referred to by the use of cross-references from the financial statements to the supplementary information, or included in the notes to the financial statements).
- 1.7 Supplementary information that is covered by the practitioner's conclusion need not be specifically referred to in the report when the reference to the notes in the description of the statements that comprise the financial statements in the report is sufficient.

Supplementary information not subject to review is not clearly differentiated from the financial statements

- 1.8 It is important that supplementary information not subject to review presented with the reviewed financial statements be clearly differentiated from the financial statements so readers do not think the supplementary information is covered by the practitioner's conclusion. The practitioner's evaluation

includes, for example, where that information is presented in relation to the financial statements and any supplementary information subject to review, and whether it is clearly labelled as “not reviewed or audited”.

- 1.9 Management could present the supplementary information not subject to review so as to clearly differentiate it from the reviewed financial statements, for example, by:
- removing any cross-references from the financial statements to supplementary schedules not subject to review or notes not subject to review so that the demarcation between the reviewed and unreviewed information is sufficiently clear; and
 - placing the supplementary information not subject to review outside the financial statements or, if that is not possible in the circumstances, at a minimum placing the notes not subject to review together at the end of the required notes to the financial statements and clearly labelling them as “not reviewed or audited.”
- 1.10 The practitioner’s conclusion may cover supplementary information that is not required by the applicable financial reporting framework but in the practitioner’s professional judgment is nevertheless an integral part of the financial statements due to its nature or how it is presented. Accordingly, the supplementary information may be subject to review.

Management changes how supplementary information not subject to review is presented

- 1.11 When supplementary information can be, but is not, presented in a way that sufficiently and clearly differentiates it from the financial statements subject to review, the practitioner asks management to change how the supplementary information not subject to review is presented.
- 1.12 If management clearly differentiates the supplementary information, there is no impact on the report since readers will not think the supplementary information is covered by the practitioner’s conclusion.

Management refuses to change how supplementary information not subject to review is presented

- 1.13 When supplementary information can be, but is not, clearly differentiated from the financial statements subject to review, as discussed in paragraph 1.9 of this Q&A, and management refuses to do so, the practitioner may identify

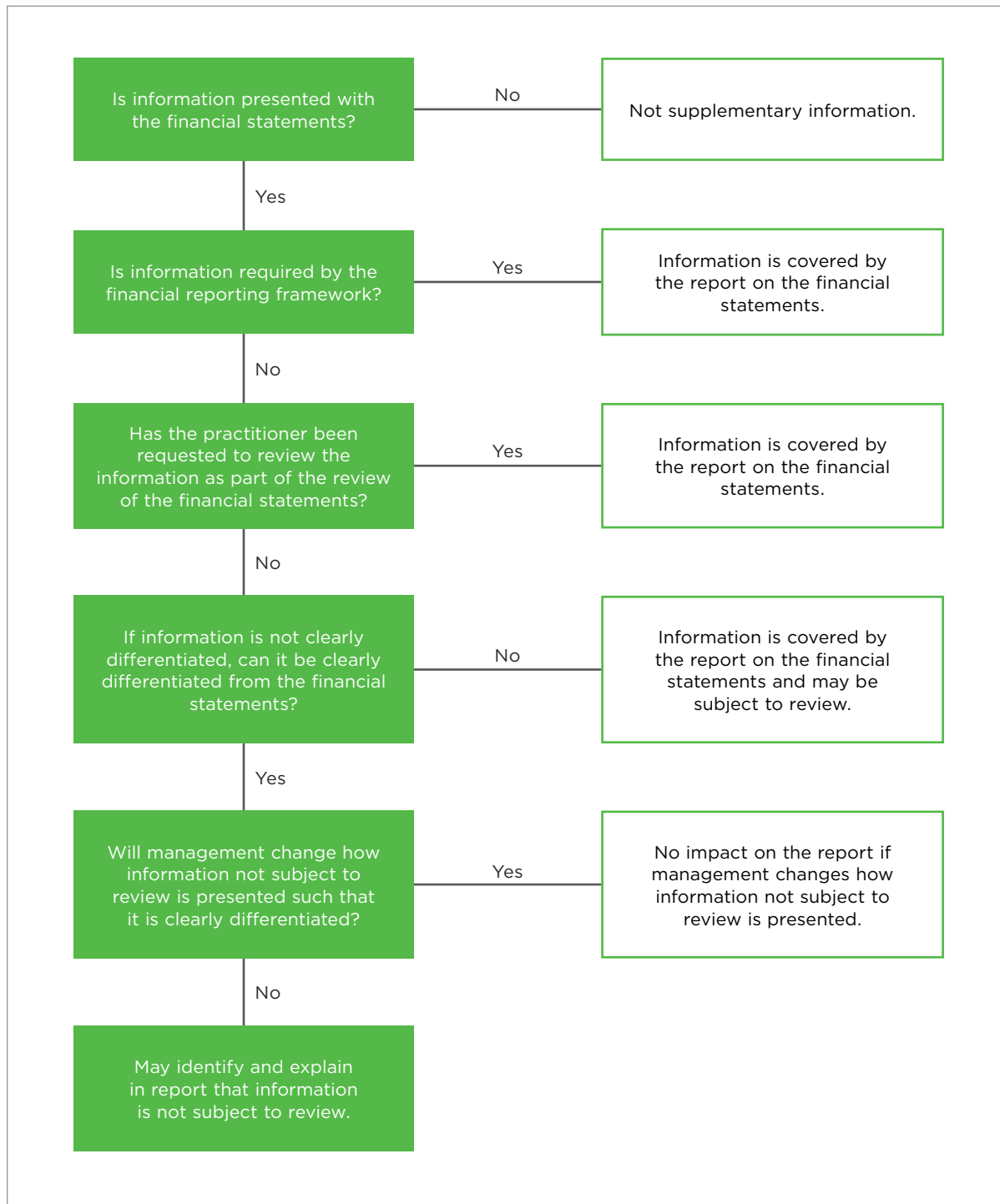
the supplementary information not subject to review and explain in the report that such supplementary information is not subject to review. Such an explanation would be made in an Other Matter paragraph in the report.

Other Matter - Supplementary Information

We draw attention to the fact that the supplementary information included in Schedule X does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this supplementary information.

Appendix

Decision tree to assist in understanding the implications of supplementary information on the report



CHAPTER 7

Adopting a New Financial Reporting Framework

This chapter includes the following Q&As:

- | | | |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| 1 | When is an entity considered to have “adopted” a new financial reporting framework? | 172 |
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Illustrative Reports

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1 When is an entity considered to have “adopted” a new financial reporting framework?

- 1.1 An entity may be required or may voluntarily decide to adopt a new financial reporting framework. This may be the case when:

An entity using a general purpose financial reporting framework adopts another general purpose financial reporting framework.

For example, an entity preparing financial statements in accordance with Canadian accounting standards for private enterprises adopts International Financial Reporting Standards, or vice-versa.

(Refer to [Illustration 1](#) and [2](#) in this chapter.)

An entity using a special purpose financial reporting framework adopts a general purpose financial reporting framework.

For example, an entity preparing financial statements using the tax basis of accounting adopts Canadian accounting standards for private enterprises.

An entity using no clearly defined financial reporting framework adopts a general purpose or special purpose financial reporting framework.

For example, an entity for which financial statements have been compiled adopts Canadian accounting standards for private enterprises.

(Refer to [Illustration 3](#) in this chapter.)

- 1.2 Adoption of a new financial reporting framework is different from the adoption of a new accounting standard within the same framework and from the selection and application of a new accounting policy within the same framework.

2 How does the difference between the “comparative financial statements reporting approach” and the “corresponding figures reporting approach” under CSRE 2400 affect the practitioner’s report on the first financial statements when an entity adopts a new financial reporting framework?

- 2.1 The distinction between the two reporting approaches (i.e., the comparative financial statements reporting approach or the corresponding figures reporting approach) discussed below is important when reporting on the first financial statements prepared in accordance with a new financial reporting framework that contain transition provisions requiring the presentation comparative information, including related notes.
- 2.2 For example, for an entity with a calendar year end, the new financial reporting framework’s transition provisions may require the entity to include the following in the entity’s first financial statements:
- financial statements as at and for the year ended December 31, 20X2

- financial statements as at and for the year ended December 31, 20X1
- statement of financial position as at January 1, 20X1 (opening statement of financial position)

The above example will be used to discuss the reporting implications below.

- 2.3 The practitioner may discuss with the entity what reporting approach is to be used for the entity's first financial statements (i.e., the comparative financial statements reporting approach or the corresponding figures reporting approach).

<p>In some cases, the practitioner may be required to report on all financial statement periods presented.</p>	<p>For example, if an obligation arises because of contractual requirements.</p>	<p>Comparative Financial Statements Reporting Approach—Refer to paragraphs 2.3–2.6 of this Q&A and Illustration 1 when the practitioner's report refers to each period for which the financial statements are presented.</p>
<p>In other cases, the practitioner may have a choice as to the reporting approach and therefore the reporting approach is dependent on what the practitioner is engaged to report on.</p> <p>When the practitioner has a choice as to the reporting approach, the entity may consider it preferable for the practitioner to be engaged to report on all financial statement periods presented rather than to be engaged to report on the current period only, particularly when the practitioner determines that the additional procedures to support the practitioner's conclusion on the comparative financial statements are not significantly different from those required to report on the current period only.</p>	<p>For example, if the entity is a private entity.</p>	<p>Comparative Financial Statements Reporting Approach—Refer to paragraphs 2.3–2.6 of this Q&A and Illustration 1 when the practitioner's report refers to each period for which the financial statements are presented.</p> <p>Corresponding Figures Reporting Approach—Refer to paragraphs 2.7–2.11 and Illustration 2 and 3 when the practitioner's report refers to the current period only.</p>

Comparative financial statements reporting approach

- 2.4 When the practitioner is engaged to report on all periods presented, using the comparative financial statement reporting approach discussed in [Chapter 4, Section A Q&A 1](#), the practitioner is required to express a conclusion on the:
- financial statements for the year ended December 31, 20X2
 - financial statements for the year ended December 31, 20X1
 - statement of financial position as at January 1, 20X1

- 2.5 While the practitioner may have reviewed the financial statements for the years ended December 31, 20X1 and December 31, 20X0 prepared in accordance with the old financial reporting framework, the practitioner would not have previously reviewed the financial statements for those periods prepared in accordance with the new financial reporting framework.
- 2.6 When the practitioner is engaged to report on all periods presented, in addition to obtaining sufficient appropriate evidence to support the conclusion on the financial statements for the year ended December 31, 20X1, and the statement of financial position as at January 1, 20X1 prepared in accordance with the new financial reporting framework for the first time.
- 2.7 The practitioner can use the work performed in reviewing the financial statements for the years ended December 31, 20X1 and December 31, 20X0 prepared in accordance with the old financial reporting framework, if applicable, to obtain sufficient appropriate evidence to support the practitioner's conclusion on the financial statements for the year ended December 31, 20X1 and the statement of financial position as at January 1, 20X1 prepared in accordance with the new financial reporting framework for those periods. As the financial statements are prepared in accordance with the new financial reporting framework, the practitioner is required to obtain sufficient appropriate evidence to support the practitioner's conclusion on those financial statements, even when the financial statements prepared in accordance with the new financial reporting framework do not appear to be significantly different from those prepared in accordance with the old financial reporting framework.

Corresponding figures reporting approach

- 2.8 While the practitioner may or may not have reviewed the financial statements for the years ended December 31, 20X1 and December 31, 20X0 prepared in accordance with the old financial reporting framework, the practitioner would not have previously reviewed the financial statements prepared in accordance with the new financial reporting framework for those periods.
- 2.9 When the practitioner's report refers to the current period only, using the corresponding figures reporting approach discussed in [Chapter 4, Section A, Q&A 1](#), there may be an incorrect presumption by readers of the practitioner's report on the first financial statements prepared in accordance with the new financial reporting framework that the practitioner has previously expressed a conclusion on the comparative information.

- 2.10 Unless the practitioner has been specifically engaged to perform a review of the financial statements for the year ended December 31, 20X1 and the statement of financial position as at January 1, 20X1, prepared in accordance with the new financial reporting framework, these financial statements are unaudited and not reviewed. In such a case, the practitioner complies with paragraph 101 of CSRE 2400 which requires that the practitioner state in an Other Matter paragraph in the practitioner's report that the comparative information is unaudited and not reviewed. The Other Matter paragraph is included in the practitioner's report irrespective of whether:
- a. the comparative information is marked as not subject to review or unaudited.
 - b. the notes to the financial statements indicate that the practitioner has not reviewed, and does not express a conclusion on, the comparative information.
- 2.11 A statement in an Other Matter paragraph referred to in paragraph 2.10 of this Q&A does not, however, relieve the practitioner of the requirement to obtain sufficient appropriate evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements in accordance with paragraph 55 of CSRE 2400. The practitioner's work effort to comply with paragraph 55 may not be significantly different than the work effort required to report on all periods presented, as discussed in [paragraphs 2.4 to 2.7](#) of this Q&A. Accordingly, the practitioner may wish to discuss with the entity whether it would be more appropriate to report on all periods presented, as discussed in paragraph 2.2 of this Q&A. It is important that the terms of the engagement appropriately reflect the financial statement periods on which the practitioner is being engaged to report.
- 2.12 Some practitioners may consider whether to make an additional reference in the practitioner's report to the fact that the financial statements for the years ended December 31, 20X1 and December 31, 20X0 prepared in accordance with the old financial reporting framework were subject to review. While such a reference may be factually correct, including it in the practitioner's report may be seen to contradict the Other Matter paragraph referred to in [paragraph 2.10](#) of this Q&A. As a result, readers of the practitioner's report may misunderstand that the practitioner was not engaged to express a conclusion on the financial statements for the year ended December 31, 20X1 and the statement of financial position as at January 1, 20X1 prepared in accordance with the new financial reporting framework. Therefore, such a reference has not been made in the Illustrative Reports included in this *Guide*.

Introduction to Illustrative Reports

For the purposes of the illustrative reports in this chapter, the following circumstances are assumed, unless indicated otherwise:

Reference to Guidance	
Subject Matter	
<ul style="list-style-type: none"> The auditor reports on a complete set of financial statements. 	Chapter 5, Section A, Q&A 2
Conclusion	
<ul style="list-style-type: none"> The practitioner has concluded an unmodified conclusion is appropriate. 	
Financial Reporting Framework	
<ul style="list-style-type: none"> The applicable financial reporting framework is a fair presentation financial reporting framework. 	Chapter 1, Section D, Q&A 1
<ul style="list-style-type: none"> The practitioner has determined that the general purpose financial reporting framework is acceptable. 	Chapter 1, Section B, Q&A 2
Management's Responsibility for the Financial Statements	
<ul style="list-style-type: none"> The terms of the review engagement reflect the description of management's responsibility for the financial statements in paragraph 28(b) of CSRE 2400. 	
Other Reporting Responsibilities	
<ul style="list-style-type: none"> The practitioner has no other reporting responsibilities required under law or regulation. 	

Illustration 1: Comparative Financial Statements Reporting Approach—Practitioner’s Report Refers to Each Period for Which Financial Statements Are Presented

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The entity transitioned from Canadian accounting standards for private enterprises (ASPE) to International Financial Reporting Standards (IFRSs).
 - Refer to [Q&A 1](#).

Financial statements:

- The financial statements include the following:
 - a. the financial statements for the year ended December 31, 20X2
 - b. the financial statements for the year ended December 31, 20X1
 - c. the statement of financial position as at January 1, 20X1

Reporting Implications:

- The practitioner is using the comparative financial statements reporting approach.
 - Refer to [Q&A 2](#).
 - Refer to [Chapter 4, Section A, Q&A 1](#).

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company, which comprise the statements of financial position as at December 31, 20X2, **December 31, 20X1 and January 1, 20X1** and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years **ended December 31, 20X2 and December 31, 20X1**, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of ABC Company as at December 31, 20X2, **December 31, 20X1 and January 1, 20X1** and its financial performance and its cash flows for the years ended December 31, 20X2 and December 31, 20X1 in accordance with International Financial Reporting Standards.

[Practitioner's Signature]

[Practitioner's Address]

[Date]

Illustration 2: Corresponding Figures Reporting Approach—Practitioner’s Report Refers to the Current Period Only

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- The entity transitioned from International Financial Reporting Standards (IFRSs) to Canadian accounting standards for private enterprises (ASPE).

Financial statements:

- The financial statements include the following:
 - a. the financial statements for the year ended December 31, 20X2
 - b. the financial statements for the year ended December 31, 20X1
 - c. the balance sheet as at January 1, 20X1
- As permitted by ASPE, the entity has selected to present the opening balance sheet on the face of the financial statements.

Reporting implications:

- The practitioner is using the corresponding figures reporting approach.
 - Refer to [Q&A 2](#).
 - Refer to [Chapter 4, Section A, Q&A 1](#).
- The practitioner is required to include an Other Matter (OM) paragraph indicating the comparative information is unaudited and not reviewed.
 - Refer to [Chapter 3, Q&A 1](#).
- Although the comparative information was reviewed under IFRSs, it was not reviewed under ASPE. Accordingly, in addition to the OM paragraph, the auditor decides to include an Emphasis of Matter (EOM) paragraph drawing attention to the note in the financial statements which describes that the entity adopted Canadian accounting standards for private enterprises as the new financial reporting framework.
 - Refer to [Chapter 3, Q&A 1](#).
- Because both the EOM and OM paragraphs are interrelated, the practitioner has decided to combine the paragraphs into one section entitled “Comparative Information.”

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X2, and the statement of income, statement of retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Emphasis of Matter—Comparative Information

We draw attention to Note X to the financial statements which describes that ABC Company adopted Canadian accounting standards for private enterprises on January 1, 20X2 with a transition date of January 1, 20X1. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 20X1 and January 1, 20X1, and the statement of income, retained earnings and cash flows for the year ended December 31, 20X1, and related disclosures. Our conclusion is not modified in respect of this matter.

We were not engaged to report on the comparative information, and as such, it is neither audited nor reviewed.

[Practitioner's Signature]

[Practitioner's Address]

[Date]

Illustration 3: Canadian Accounting Standards for Private Enterprises (ASPE) Are Adopted for the First Time—Practitioner’s Report Refers to the Current Period Only

Please read the Introduction to Illustrative Reports. For purposes of this illustrative report, the following additional or different circumstances are assumed:

Financial reporting framework:

- This is the first year the entity is preparing financial statements in accordance with Canadian accounting standards for private enterprises (ASPE).
 - Refer to [Q&A 1](#).

Reporting implications:

- The practitioner is using the corresponding figures reporting approach.
 - Refer to [Q&A 2](#).
 - Refer to [Chapter 4, Section A, Q&A 1](#).
- The practitioner includes an Other Matter paragraph indicating the comparative information is not subject to review. The practitioner has decided not to include an EOM paragraph.
 - Refer to [Q&A 2](#).

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

[Appropriate Addressee]

We have reviewed the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X2, and the statement of income, statement of retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Comparative Information

The financial statements of ABC Company for the year ended December 31, 20X1 and the balance sheet as at January 1, 20X1 have not been audited or reviewed.

[Practitioner's Signature]

[Practitioner's Address]

[Date]



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