

Center for Plain English Accounting

AICPA's National A&A Resource Center

Preparation of Financial Statements Clarification to the Applicability of AR-C 70

By: Robert Durak, CPA

As we reported in our April 10th Alert, the AICPA Accounting and Review Services Committee (ARSC) issued Statement on Standards for Accounting and Review Services (SSARS) No. 27 (SSARS 27), *Applicability of AR-C Section 70 to Financial Statements Prepared as Part of a Consulting Services Engagement*, to clarify the applicability of AR-C 70, *Preparation of Financial Statements*, in AICPA Professional Standards to explicitly exclude financial statements prepared as part of a consulting services engagement performed in accordance with Consulting Services (CS) 100, *Consulting Services: Definitions and Standards*, from those engagements in which AR-C 70 is required to be applied. CPEA members who perform client advisory services or some may know as client accounting services (CAS) may find this change to the professional literature impactful to their engagements and responsive to concerns that the current preparation standard (AR-C 70) does not align well with the advisory role many practitioners play today, for example when acting as outsourced CFOs or controllers. SSARS 27 provides a clearer framework to distinguish preparation services from consulting engagements. The full text of SSARS 27 can be found [here](#).

CPEA Observation: For many firms with CAS practices, SSARS 27 codifies an approach to applying the consulting standards they already have been following in their evolving CAS practices when preparation of financial statements is involved. Nevertheless, diversity exists in the application of the consulting standards and AR-C in CAS practices and SSARS 27 provides welcome clarity. Some CAS practitioners describe the issuance of SSARS 27 as a new era in CAS and a game changer.

According to a 2024 benchmark survey by CPA.com, CAS practices reported a median growth rate of 17%, continuing the double-digit CAS growth seen in previous surveys.

This report 1) explains the rationale behind and the clarification introduced by SSARS 27 and 2) provides certain clarifications related to applying SSARS 27.

Why SSARS 27 was Issued

In 2014, AR-C 70 was introduced into the professional literature by SSARS 21, *Statement on Standards for Accounting and Review Services: Clarification and Recodification*, and along with it a new level of service – preparation of financial statements (preparation engagements). Since the issuance of AR-C 70, outsourced accounting services performed by firms for their clients has greatly evolved and expanded. Traditionally, such services were referred to as controllership services and included activities such as performing the monthly close and preparing financial statements for the client. Over the past several years, the concept of controllership services has evolved in practice to what is often referred to as CAS in which the accountant performs a range of advisory services for the client and may include controllership services. In a CAS engagement, the accountant assumes certain management responsibilities, which may include taking responsibility for the financial statements. CAS practitioners often indicate that they are the client's internal accounting department.

Given the growth and evolution of CAS services, questions and gray areas have arisen regarding whether AR-C 70 is required to be applied in situations in which controllership or CFO services are performed under the consulting standards and financial statements are prepared as part of those services. Many CAS practitioners argued that their services do not constitute a preparation engagement in the traditional sense and, therefore, they should not be subject to the requirements of AR-C 70. As discussed below, AR-C 70 imposes certain requirements related to the engagement which would not be required if the engagement was performed solely under the consulting standards (CS 100).

CPEA Observation: Currently, some CAS practitioners subject the portion of the service that includes the preparation of financial statements to AR-C 70, while other CAS practitioners perform the entirety of such services as a consulting service in accordance with CS 100.

Requirements of Engagements Subject to AR-C 70

Engagements to prepare financial statements under AR-C 70 are subject to certain requirements, such as including a “no assurance is provided” statement on each page of the financial statements or providing a disclaimer.

If the engagement is performed in accordance with AR-C 70, the quality management requirements introduced by SSARS 26, *Quality Management for an Engagement Conducted in Accordance With Statements on Standards for Accounting and Review Services*, and codified in AR-C 60, *General Principles for Engagements Performed in*

Accordance With Statements on Standards for Accounting and Review Services, apply to the relevant service.

In addition, a firm that only performs engagements to prepare financial statements in accordance with AR-C 70 is not required to enroll in a peer review program. However, for firms enrolled in the peer review program (either voluntarily or because they perform other types of engagements that require them to enroll), engagements to prepare financial statements fall within the scope of peer review. Independent of AICPA requirements, some state boards of accountancy require firms that only perform these engagements to enroll in peer review as a licensing requirement.

Engagements Performed under the Consulting Standards

Engagements performed in accordance with the consulting standards are not required to be subjected to the firm's system of quality management because such engagements are outside of the firm's accounting and auditing practice. Quality Management (QM) 10, *A Firm's System of Quality Management*, defines accounting and auditing practice as "a practice that performs...audit, attestation, review, compilation, and any other services for which standards have been promulgated by the AICPA Auditing Standards Board (ASB) or ARSC...." Additionally, if such engagements are not performed in accordance with AR-C 70, the firm may not be required to enroll in a peer review program.

ARSC Acts to Resolve the Issues

ARSC decided to address the issues arising from the applicability of AR-C 70 related to CAS and issued SSARS 27, concluding that the consulting standards provide the appropriate safeguards regarding the CAS practitioner's association with financial statements that the CAS practitioner prepared as part of a consulting services engagement as well as the CAS practitioner's responsibility to prepare such financial statements with professional competence and due professional care. CS 100 indicates that the general professional standards of professional competence, due professional care, planning and supervision, and sufficient relevant data apply to consulting services. Furthermore, in such situations, practitioners are required to follow the AICPA Code of Professional Conduct.

Effects of SSARS 27

SSARS 27 amends AR-C 70 to explicitly exclude financial statements prepared as part of a consulting services engagement performed in accordance with CS 100 from those engagements in which AR-C 70 is required to be applied. More specifically, the amendments in SSARS 27 indicate that AR-C 70 is not required to be applied, but application is not precluded, in whole or in part, when an accountant prepares financial statements or prospective financial information as part of a consulting services

engagement performed in accordance with CS 100, in which the preparation of financial statements is not the primary objective of the engagement.

Practice Note: Firms offering outsourced CFO services, financial consulting, and broader management advisory engagements often deliver financial statements as a byproduct of their work rather than as a primary service. However, in those instances in which the preparation of financial statements is the primary objective of the engagement, AR-C 70 applies.

When Exactly Does AR-C 70 Apply?

AR-C 70 applies when an accountant in public practice is engaged to prepare financial statements or prospective financial information and is not engaged to perform an audit, review, or compilation of those financial statements or a compilation or examination of that prospective financial information. AR-C 70 may be applied, adapted, or as appropriate in the circumstances, to the preparation of other historical financial information. AR-C 70 is not required to be applied, but application is not precluded, in whole or in part, when an accountant prepares financial statements or prospective financial information

- a. as part of a consulting services engagement performed in accordance with CS section 100, in which the preparation of financial statements is not the primary objective of the engagement
- b. as part of a personal financial plan performed in accordance with Personal Financial Planning (PFP) section 100, *Statement on Standards for Personal Financial Planning Services*
- c. as part of an engagement to estimate the value of a business, business ownership interest, security, or intangible asset in accordance with Valuation Services (VS) section 100, *Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset*
- d. solely for submission to taxing authorities
- e. in conjunction with litigation services that involve pending or potential legal or regulatory proceedings

Effective Date

SSARS 27 becomes effective for the preparation of financial statements for periods ending on or after December 15, 2026. Early implementation is permitted, and we expect many firms with CAS practices to early adopt SSARS 27.

Clarifications Related to the Application of SSARS 27

Determining When the Consulting Standards or AR-C 70 are Appropriate

As discussed earlier, AR-C 70 is not required to be applied when an accountant prepares financial statements or prospective financial information as part of a consulting services engagement performed in accordance with CS 100, in which the preparation of financial statements is *not the primary objective* [emphasis added] of the engagement. Practitioners may ask about the meaning of “not the primary objective” and may ask how an accountant determines whether the consulting standards or AR-C 70 is most appropriate in an engagement.

SSARS 27 clarifies that the practitioner has some level of flexibility in determining the appropriate standards to apply to the performance of the engagement. If the understanding with the client is such that the primary objective of the engagement is the preparation of financial statements, then AR-C 70 is required to be applied. However, if the engagement is broader such that the preparation is simply part of a consulting engagement, then AR-C 70 is not required to be applied. The performance of the entire engagement in accordance with CS 100 may enable firms to more efficiently shift into higher value advisory services. Of course, the firm’s risk management strategy may require the application of AR-C 70 to the preparation of financial statements.

While flexibility exists and professional judgment is essential, SSARS. 27 is clear that, if the primary objective of an engagement is the preparation of financial statements, AR-C 70 should be applied. Determining whether the preparation of financial statements is the primary objective of an engagement requires the exercise of professional judgment. That said, in many CAS engagements, the determination should be straightforward. For example, in a CAS engagement involving a broad spectrum of services, such as the preparation of financial statements, bill payments, monthly financial dashboards, cash flow management, market analysis, and business strategy development, the preparation of financial statements likely would not be the primary objective of the engagement. Practitioners and clients have latitude in determining the primary objective of the services being rendered, which is particularly relevant when practitioners are serving smaller businesses, given the normal wide sweep of services often provided.

Practice Note: We recommend documenting an agreement with the client, clearly indicating the types of services being provided, leaving no ambiguity as to what is being performed by the practitioner and the standards being applied.

Protection of the Public Interest. ARSC believes that the public interest is not adversely affected if an engagement that includes the preparation of financial statements for the client’s use is performed in accordance with CS 100 instead of AR-C 70 because:

- Services performed in accordance with CS 100 and services performed in accordance with AR-C 70 are both nonattest services in which no opinion, conclusion, or any form of assurance is provided, and
- The safeguards included in CS 100 minimize the risk that a user would be misled by the accountant's association with the financial statements that the accountant prepared as part of the consulting service
- The AICPA Code of Professional Conduct (Code) is applicable to all professional services performed -- CS 100 makes reference to specific sections of the Code related to the performance of consulting services.

CS 100 indicates that the general professional standards of professional competence, due professional care, planning and supervision, and sufficient relevant data apply to consulting services. CS 100 further indicates that the additional general standards of client interest, understanding with the client, and communication with the client are promulgated to address the distinctive nature of consulting services in which the understanding with the client may establish valid limitations on the practitioner's performance of services.

Voluntarily Adopting AR-C 70 Requirements in Whole or in Part

Practitioners are allowed to apply the requirements of AR-C 70, in whole or in part, to engagements that are not required to follow AR-C 70. As indicated in paragraph A4 of SSARS 27, an accountant may voluntarily apply certain requirements of AR-C 70 in instances in which AR-C 70 would not otherwise apply. For example, a practitioner may apply all or some AR-C 70 requirements to CAS engagements involving the preparation of financial statements. One reason for doing so would be to address the risk that users of the client's financial statements may be misled by the practitioner's perceived association with the financial statements. In that case, the practitioner may include the statement indicated in AR-C 70.14 that "no assurance is provided" on the financial statements. The inclusion of such a statement does not result in the practitioner being required to perform the engagement in accordance with AR-C 70 and no other requirements would be required to be applied.

Center for Plain English Accounting | aicpa.org/CPEA | cpea@aicpa.org

The CPEA provides non-authoritative guidance on accounting, auditing, attestation, and SSARS standards. Official AICPA positions are determined through certain specific committee procedures, due process and extensive deliberation. The views expressed by CPEA staff in this report are expressed for the purposes of providing member services and other purposes, but not for the purposes of providing accounting services or practicing public accounting. The CPEA makes no warranties or representations concerning the accuracy of any reports issued.

© 2025 Association of International Certified Professional Accountants. All rights reserved. For information about the procedure for requesting permission to make copies of any part of this work, please e-mail cpea@aicpa.org with your request. Otherwise, requests should be written and mailed to the Center for Plain English Accounting, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110.