

How will CSRS 4200 impact my compilation engagement?

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The purpose of this alert is to highlight key requirements in the new Canadian Standard on Related Services (CSRS) 4200 Compilation Engagements which will be replacing Section 9200 Compilation Engagements. We encourage you to review this document prior to us meeting to discuss the anticipated changes to your engagement as a result of the new standard. Additionally, if there is a third-party user of the compiled information, please ensure they are aware of the new standard.

Effective for compiled financial information for periods ending on or after December 14, 2021

Why is the standard changing?

The change was needed because:

- there was often a misunderstanding by users of compiled financial information as to the extent of work performed by the practitioner in compilation engagements
- the compiled financial information provided no information as to the basis of accounting applied in its preparation

How will this impact the work we do together?

Increased Communication Between Management (or, Those Charged With Governance, as appropriate)

There is now more emphasis on communication by the engagement team to management, and those charged with governance (if separate) both at the beginning of and during the performance of the compilation engagement, including acknowledgement of management's (or, those charged with governance) responsibility for the final version of the financial information.

Basis of Accounting

Compiled financial information will now include a note describing the basis of accounting applied to assist users in understanding how the compiled information is prepared. Common bases of accounting may include:

- cash basis of accounting
- cash basis of accounting with selected accruals and accounting estimates
- basis of accounting prescribed by a contract or other form of agreement established by a creditor or a regulator

Required discussions and questions around specific areas of focus

You can expect your MNP engagement team to initiate and/or have more robust discussions around the following:

- whether the compiled financial information is intended to be used by a third party (e.g., your lender) and whether the third party has access to additional information;
- the expected basis of accounting to be applied in the preparation of the compiled financial information;
- your business and operations, accounting system, and accounting records; and,
- any significant judgments (ex. allowance for doubtful accounts) that the practitioner has assisted management with the preparation of the compiled financial information

Compilation Engagement Report

You will notice significant changes to the compilation engagement report (the Compilation Engagement Report). Refer to the sample report attached to see the new format.

This communication contains a general overview of the topic and is current as of December 31, 2020. The application of the principles addressed will depend upon the particular facts and circumstances of each individual case. Accordingly, this publication is not a substitute for professional advice and we recommend that any decisions you take about the application or not of any of the information presented be made in consultation with a qualified professional who can address any variance that may be required to reflect your circumstances. Please contact your local MNP representative for customized assistance with the application of this material. MNP LLP accepts no responsibility or liability for any loss related to any person's use of or reliance upon this material. © MNP LLP 2020. All rights reserved.

What will my compilation report look like?

<p>Compilation Engagement Report*</p> <p>[Addressee]</p>	<p>Title is aligned with the scope (compile and report) vs. "Notice to Reader."</p> <p>Addressee is the party who engages the practitioner – management or those charged with governance (TCWG).</p>
<p>On the basis of information provided by management, we have compiled the balance sheet of ABC Company as at December 31, 20XX the statement of income and retained earnings for the year then ended, and Note X, which describes the basis of accounting applied in the preparation of the compiled financial information [and, if applicable, other explanatory information] ("financial information").</p>	<p>Reference to the note in the compiled financial information that describes the basis of accounting used to prepare the financial information.</p>
<p>Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.</p> <p>We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.</p>	<p>Report now includes management's and the practitioner's respective responsibilities.</p>
<p>We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.</p>	<p>Clarifies that no procedures are performed to verify the accuracy or completeness of the information provided by management.</p> <p>No change in the level of assurance.</p>
<p>[MNP Signature]</p> <p>[Report date]</p> <p>[Address]</p>	<p>The date the practitioner has completed the engagement, including management's (or TCWG's) acknowledgment of its responsibility for the final version of the compiled financial information.</p>

* CPA Canada Audit & Assurance Alert Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements – February 2020



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