

Compilation Engagements:

Clarity, Compliance & Value Beyond Numbers





Understanding Compilation Engagements

A **Compilation Engagement** involves applying accounting expertise to assist management in preparing and presenting financial information in the form of financial statements, without expressing any assurance on them.

These are governed by **SRS 4410 (Revised)** and are often undertaken for small to mid-sized businesses where a full audit or review engagement is not required.



Key considerations while performing a compilation engagement:

- Ensure you are independent as required by relevant ethical standards.
- Gain basic knowledge of the client's business, industry, and accounting policies to compile relevant and accurate statements.
- Clarify that management is responsible for the financial statements and the accuracy of the underlying data.
- Do not perform audit or review procedures such as testing transactions or confirming balances.
- Always obtain a written engagement letter detailing the nature and limitations of the engagement.
- If the statements are to be used by third parties, ensure that the users understand no assurance is provided.
- Clearly state in the compilation report that no assurance is provided.



Usage Compilation Engagements



Small Business Loan

A retail business needs financials for a bank loan. The accountant prepares a compilation with a "no assurance" disclaimer, which the bank accepts.



Nonprofit with Budget Constraints

A nonprofit uses compiled financials for its board and grant applications, avoiding costly audits.



Real Estate LLC

A property group provides compiled year-end financials to investors and tax advisors for transparency and reporting.



Startup Investment

A startup presents compiled U.S. GAAP financials to potential investors to build credibility.



Tax Filing Support

Compiled financials are prepared to support a client's corporate tax return filing.



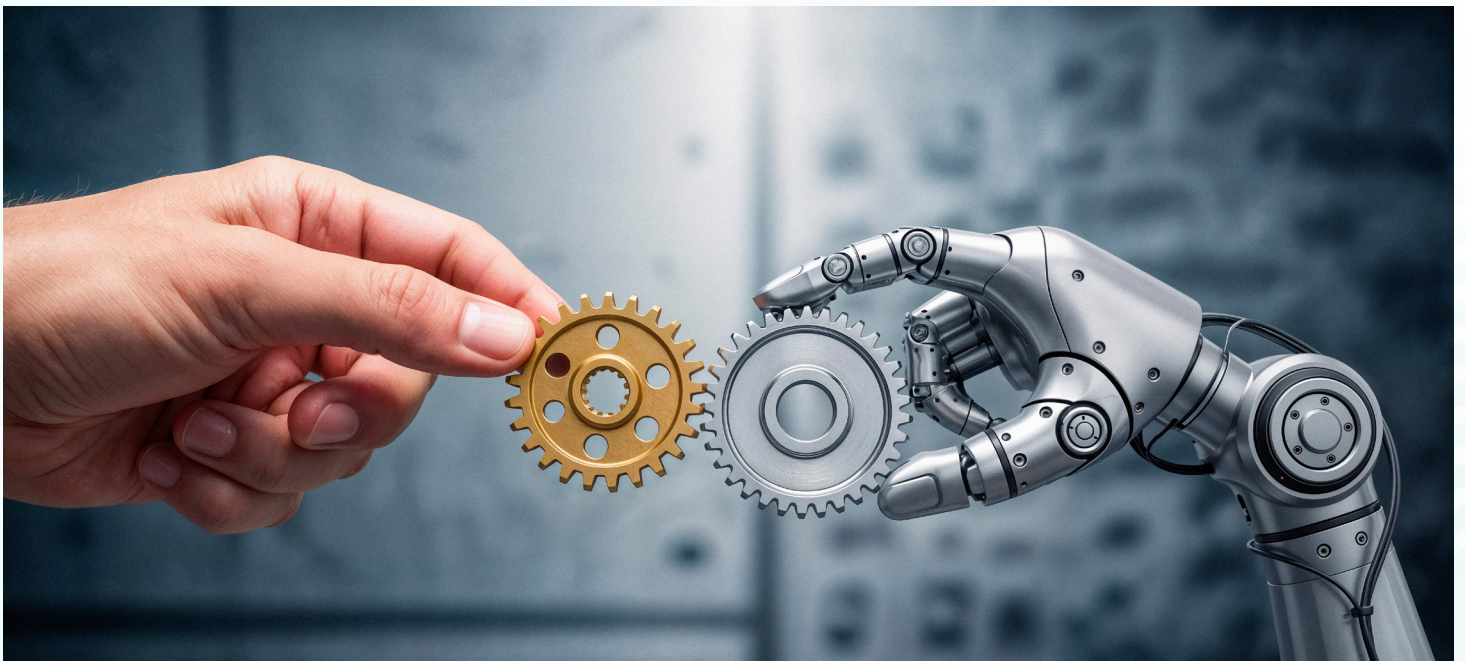
Impact of Technology and Automation



Cloud-based accounting systems like **QuickBooks Online, Xero, and NetSuite** have simplified the bookkeeping process, allowing accountants to complete compilation engagements more efficiently.



Tools like **CaseWare, CCH Engagement, and Thomson Reuters Engagement** are increasingly used for standardizing and automating compilation workpapers and reports.





Insights on Compilation Engagements

01

Performed in accordance with the Standards on Related Services 4410 (SRSs).

02

No assurance is provided. The practitioner does not verify the accuracy or completeness of the information supplied by management.

03

The objective is to assist management in the preparation and presentation of financial information based on data provided by them.

04

The compiled financial statements are not audited or reviewed and do not include an opinion or conclusion.

05

Cost-effective and efficient option for clients who require financial statements without the need for assurance.

06

Suitable for small to medium-sized enterprises or entities needing financial statements for internal or external purposes (e.g., lenders, investors) without an assurance requirement.

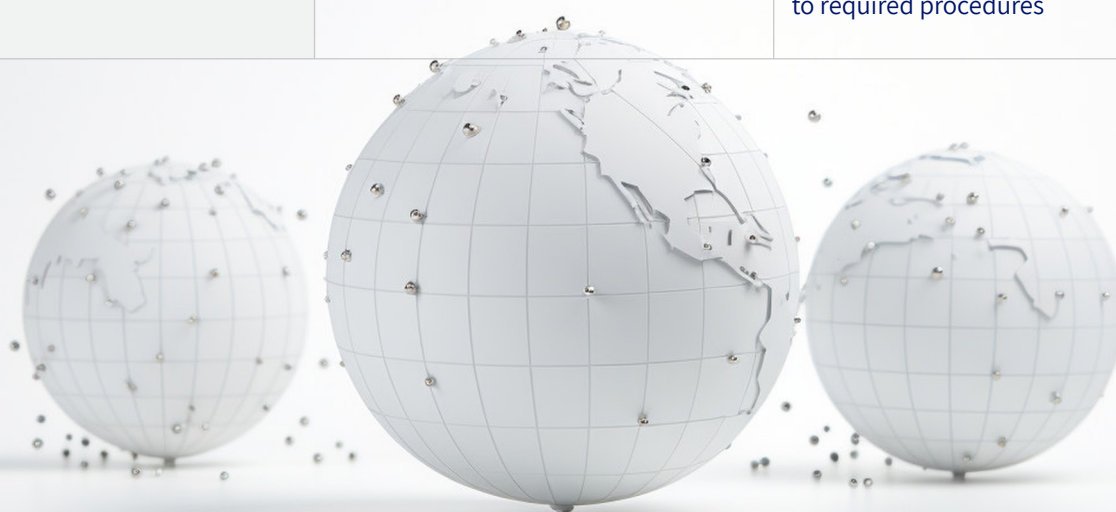
Material Misclassification in Financials

- The company recorded a long-term loan as a current liability, which materially misstates the current ratio and working capital position.
- Financial statements were prepared on the accrual basis, but no footnote disclosures were included regarding significant accounting policies or contingent liabilities.
- The trial balance provided had unreconciled differences between the general ledger and bank statements.
- Financial statements show recurring losses and negative equity, raising concern about the company's ability to continue as a going concern.
- Identified material transactions with a related party that were not disclosed in the records or financials.



Compilation Vs Review Engagements

| Aspect | Compilation Engagement | Review Engagement |
|---------------------------------|---|---|
| Purpose & scope | Assist management in preparing financial information | Provide limited assurance on financial statements |
| Applicable standards | SRS 4410 | International Standards on Review Engagements (ISREs) |
| Procedures | Compilation from information provided by management; no verification | Inquiries and analytical procedures |
| Assurance level | No assurance | Limited (moderate) assurance |
| Types of opinion | No opinion or conclusion provided | Negative assurance – “Nothing has come to our attention...” |
| Reporting responsibility | A report is issued stating that the reviewer is not aware of any material modifications | A report is issued stating that the reviewer is not aware of any material modifications |
| User Benefit | For internal or third-party use where no assurance is needed | For users needing some level of comfort on financials |
| Cost & Effort | Cost-effective, minimal procedures | More costly than compilation due to required procedures |

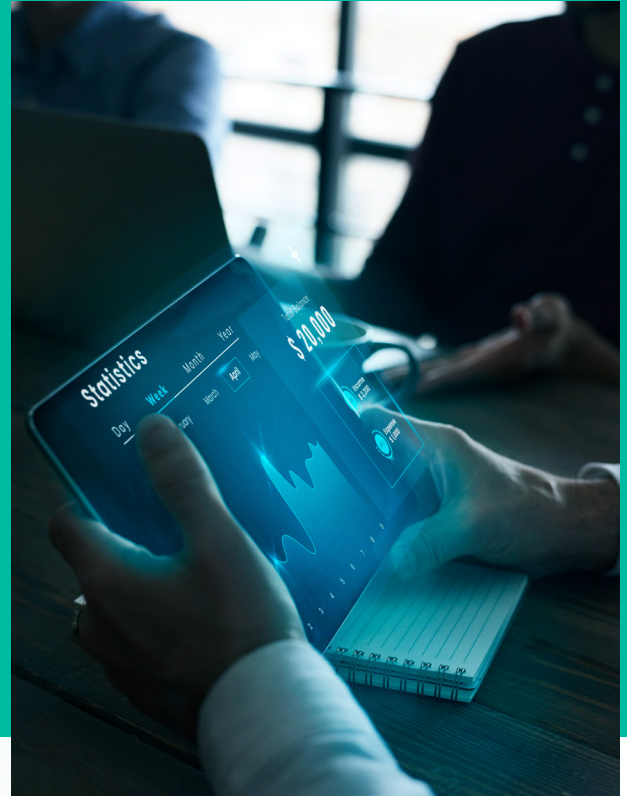




Delivering Value Beyond Numbers

While no assurance is provided, our compilation engagements go beyond compliance and help clients:

- Gain clarity on financial health.
- Use professionally presented statements for funding, board meetings, and investor relations.
- Streamline internal financial reporting.
- Identify areas for improvement in financial data management.



Value-Added Aspects



Tailored Reporting

Expand donor bases and explore new grant opportunities.



Timely Delivery

Structured approach for quick turnaround.



Technology Enabled

Use of tools for efficiency and collaboration.



Scalable Services

Compilation with options to transition into review or audit as business grows.



Best Practices for Effective Compilation Engagements



Clarity on Scope

Clear distinction between audit, review, and compilation for all stakeholders.



Effective Client Coordination

Early communication on required data to avoid last-minute delays.



Standardized Templates

Using checklists and templates to ensure consistency and quality.



Professional Ethics & Independence

Maintaining objectivity even in non-assurance services.



Continuous Learning

Regular upskilling on changes in accounting frameworks and reporting norms.



Documentation & Workpapers

Ensuring work done is properly documented, even though no assurance is provided.



Pierag Consulting

Pierag Consulting was founded in February 2021 by Abhishek Gupta, Thomas Raffa and Pierian Services as a unique business model to serve clients globally by blending domestic proficiency with global expertise. Since then, we have been serving prominent clients across the US, SEA, India and UK in the field of Assurance, Accounting & Transactions Advisory, Business Risk, Technology Risk Advisory and ESG Services.

With more than 300+ team members and offices across India (Gurugram, Jaipur, Chandigarh, Mumbai and Bengaluru), US and Singapore, we are fueled by our purpose of 'Inspiring people to do things that inspires them' and our values of 'Excellence, Equity & Empathy'.

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