



Exposure Draft

Proposed Canadian Standard on Related Services (CSRS) 4250

Compilation Engagements on Future-oriented Financial Information and Pro Forma

September 2024

This Exposure Draft closes for comments on January 7, 2025.

The Auditing and Assurance Standards Board (AASB) welcomes feedback from any interested party on any or all the questions posed in this Exposure Draft.

You can provide feedback to the AASB on the proposals in a variety of ways:

- Connect directly with the AASB through our [project page](#) by:
 - reading our education material and responding to our survey; or
 - attending a discussion session on this Exposure Draft.
- Write a response letter and upload it via our [online form](#).

Response letters can be addressed to:

Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Note: Response letters will be posted online shortly after this Exposure Draft closes for comment. Confidentiality can be requested when uploading letters via the online form.

Helpful tips when participating in a consultation:

- Comments are most helpful if they relate to a specific paragraph or group of paragraphs found in the Exposure Draft.
- If you identify a potential issue in this Exposure Draft's proposals, we encourage you to clearly explain the issue and include a suggested alternative, supported by specific reasoning.
- The AASB does not expect you to respond to every single question posed – only those to which you feel you can or should respond.

HIGHLIGHTS

The AASB proposes, subject to comments received following exposure, to issue:

- a new Canadian Standard on Related Services (CSRS) 4250, *Compilation Engagements on Future-oriented Financial Information and Pro Forma*; and
- limited consequential amendments to [CSRS 4200](#), *Compilation Engagements*.

Proposed CSRS 4250 would replace [Assurance and Related Services Guideline \(AuG\) 16](#), *Compilation of a Financial Forecast or Projection*. This proposed CSRS 4250 covers compilation engagements on:

Future-oriented financial information		Pro forma Paras. 17(i) , 17(j) & 17(k)
Forecast Para. 17(c)	Projection Paras. 17(e) & 17(l)	

Based on management's assumptions, Paras. [17\(b\)](#), [17\(f\)](#), [17\(j\)](#) & [18](#)

This Exposure Draft:

- explains why the proposed CSRS is needed;
- explains how the key public interest considerations were addressed;
- discusses proposed consequential amendments; and
- proposes an effective date.

Please review "[Comments requested](#)" on page 3 for information on responding to this Exposure Draft.

Why the proposed CSRS 4250 is needed

Following consultations and information-gathering activities, the AASB concluded that [AuG-16](#) is outdated and in need of replacement with a new standard.

Considering developments in professional standards and the challenges in applying [AuG-16](#), the AASB decided that developing a new standard would offer greater clarity than a Guideline on what the practitioner must comply with, given the drafting convention of other standards in the CPA Canada Handbook – Assurance. A new standard would be more effective at promoting consistency in performing and reporting on compilation engagements on future-oriented financial information ("FOFI") and pro forma.

To assist with developing proposed CSRS 4250, the AASB formed two committees:

- The [Task Force](#) consists of practitioners from public accounting firms with experience in performing compilation engagements on FOFI and pro forma. The Task Force includes a member from a CPA provincial accounting body.
- The [Reference Group](#) predominately consists of users of compiled FOFI and pro forma.

To read more about this project, visit the [Compilations of FOFI and Pro Forma project page](#).

Public interest considerations

Below are the key public interest considerations the AASB took into account when developing proposed CSRS 4250 and the key features included to address these considerations.

Defining a clear scope under which the standard would apply

The scope of AuG-16 specifies that it deals with services provided by public accountants for those who require assistance in compiling a financial forecast or projection. However, consultations have identified that this broad scope has led to confusion among practitioners about the applicability of AuG-16, resulting in inconsistencies in its use and the prescribed communication.

Additionally, the AASB recognized that practitioners assist management in the preparation and presentation of pro forma. However, there is currently no standard for the performance and reporting requirements related to compilation engagements on pro forma.

Proposed CSRS 4250 includes the following key features to address this public interest consideration:

- Defining the scope to explicitly address when the standard does and does not apply;
- Expanding the scope beyond AuG-16 to include compilation engagements on pro forma as well as FOFI; and
- Establishing preconditions for accepting an engagement to compile financial information intended for use by a third party, leveraging [CSRS 4200](#).

Reflecting developments in professional standards

Since [AuG-16](#) was issued, the following significant developments in relevant professional standards have occurred that make the Guideline outdated:

- The AASB issued [CSRS 4200](#), effective for periods ending on or after December 14, 2021.
- The Accounting Standards Board removed Part V of the CPA Canada Handbook – Accounting, which included Section 4250, *Future-oriented Financial Information*. The content from Section 4250 now resides in the CPA Canada Standards and Guidance Collection as non-authoritative guidance (called *Future-oriented Financial Information*).
- The AASB issued the Canadian Standards on Quality Management, effective for related services engagements as of December 15, 2023.

Proposed CSRS 4250 includes the following key features to address this public interest consideration:

- Incorporates the relevant concepts, terminology, structure and foundational framework from [CSRS 4200](#), to ensure consistency between the two compilation engagement standards. As a result, proposed CSRS 4250 maintains consistency, where relevant, with the performance and reporting requirements from CSRS 4200. For example, the practitioner's communication has been enhanced to clearly describe the nature and scope of the engagement, and the responsibilities of management and the practitioner.
- Avoids any references to the previous accounting standard Section 4250. Instead, it incorporates the principles that the AASB considers essential for FOFI and pro forma not to be misleading, including requirements to disclose certain information in the notes to the compiled financial information; and
- Includes requirements and guidance related to quality management relevant to compilation engagements, similar to what is included in [CSRS 4200](#).

Reflecting developments in preparing and presenting FOFI and pro forma

The AASB's consultations revealed that some practitioners are unclear about the appropriate level of work effort and documentation in a compilation engagement under [AuG-16](#). This confusion may stem from insufficient guidance in AuG-16 and cross-references to [AuG-6](#), *Examination of a Financial Forecast or Projection Included in a Prospectus or Other Public Offering Document*, in directing their work effort.

The lack of clarity regarding the required work effort poses a risk of either too little work being performed, potentially leading to association with misleading information, or excessive work being undertaken, resulting in high costs.

Proposed CSRS 4250 includes the following key features to address this public interest consideration:

- Revises the definitions in of “forecast” and “projection”, and introduces new definitions of key terms, (e.g., “best-estimate assumptions”, “hypotheses”, “hypothetical assumptions”, and “pro forma”) to guide the preparation and presentation of the compiled financial information and notes.
- Avoids any cross-references to other standards or Guidelines, making the standard comprehensive and stand-alone.
- Establishes the minimum required work effort, including that related to management’s assumptions.
- Establishes the minimum required documentation.

Proposed consequential amendments

Subject to input by interested and affected parties, the AASB proposes the following consequential amendments to the introduction and application and other explanatory material of CSRS 4200 to maintain internal consistency of the Handbook.

Amendments to the scope of CSRS 4200

The AASB proposes the following consequential amendments:

- In [paragraph 1\(a\)](#) of CSRS 4200, add a signpost indicating that compilation engagements of FOFI and pro forma are dealt with in proposed CSRS 4250; and
- In [paragraph A1](#) of CSRS 4200, remove the reference to “pro forma financial information” from the examples of information that may be subject to compilation engagements, as compilation engagements of pro forma are dealt with in proposed CSRS 4250.

Proposed effective date

Subject to input received, the AASB proposes:

- Setting the effective date for CSRS 4250 based on the date of the practitioner’s report.
- An implementation period of at least 18 months after the issuance of the final standard into the Handbook. Earlier application would be permitted.

Comments requested

Providing comments to the AASB

The AASB requests comments on any aspect of proposed CSRS 4250. Comments are most helpful when they relate to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals should clearly explain the problem and include a suggested alternative, supported by specific reasoning.

The AASB seeks views on the following questions:

1. Do you agree with the scope of proposed CSRS 4250, including the exclusions? ([Paragraphs 1-3](#) and [A1-A5](#))
2. Do you agree that the considerations for engagement acceptance are appropriate? ([Paragraphs 27-30](#) and [A28-A37](#))
3. Do you agree that the proposed definitions are appropriate? ([Paragraphs 16-20](#) and [A15-A20](#))
4. Do you agree that the work effort required by proposed CSRS 4250 is appropriate for the performance of a compilation engagement? ([Paragraphs 31-38](#) and [A38-A71](#))

5. Do you believe that the required notes in the compiled financial information will help with users' and readers' understanding of the information provided? ([Paragraphs 33](#) and [A55-A59](#)) If no, please specify which note disclosures are unclear or missing.
6. Do you agree that the content in the proposed compilation engagement report ([paragraphs 42](#), [A22](#), [A73-A75](#), and [Appendix 2](#)):
 - (a) Appropriately describes the nature and scope of the engagement and the responsibilities of management and the practitioner?
 - (b) Is informative, clear and understandable?
7. Do you agree that the documentation requirements are appropriate? ([Paragraph 44](#))
8. What implementation challenges or unintended consequences, if any, might proposed CSRS 4250 create?
9. Do you agree that the proposed implementation period of at least 18 months is sufficient? ([Paragraph 14](#))
10. Are there any other matters that you think the AASB should be aware of as it considers finalizing proposed CSRS 4250?

The deadline for providing your comments to the AASB is January 7, 2025.

PROPOSAL

CANADIAN STANDARD ON RELATED SERVICES

CSRS 4250

compilation engagements on future-oriented financial information and pro forma

(Effective for compilation engagements where the compilation engagement report is dated on or after [Month Day, 20XX])

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Appendix 1: Example of a Compilation Engagement Letter

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Introduction

Scope of this CSRS

1. This Canadian Standard on Related Services (CSRS) deals with:
 - (a) The practitioner's responsibilities when engaged to perform a compilation engagement on future-oriented financial information; (Ref: Para. A1)
 - (b) The practitioner's responsibilities when engaged to perform a compilation engagement on pro forma; and (Ref: Para. A1)
 - (c) The form and content of the compilation engagement report on the compiled future-oriented financial information or pro forma.
2. This CSRS does not apply when the future-oriented financial information or pro forma prepared is limited to the circumstances when a practitioner is: (Ref: Para. A2)
 - (a) Acting in the capacity of a trustee in bankruptcy, receiver or liquidator;
 - (b) Contracted to act as a member of the entity's finance department with controllership responsibilities;
 - (c) Engaged to perform accounting, business advisory or consulting services; (Ref: Para. A3)
 - (d) Preparing future-oriented financial information or pro forma that will be subject to an assurance engagement performed by another practitioner; or
 - (e) Preparing future-oriented financial information or pro forma as part of another service performed by the practitioner. (Ref: Para. A4)
3. In the circumstances described in paragraph 2, the practitioner may decide, or be requested, to issue a communication on such future-oriented financial information or pro forma. In that case, the only appropriate form of communication is a compilation engagement report under this CSRS and all the requirements of this CSRS apply. (Ref: Para. A5)

Relationship with CSQM¹

4. The system of quality management and policies or procedures are the responsibility of the firm. CSQM 1 applies to firms in respect of a firm's related services engagements, including compilation engagements.² The provisions of this CSRS regarding quality management at the level of individual compilation engagements are premised on the basis that the firm is subject to CSQM 1 or requirements that are at least as demanding. (Ref: Para. A6-A11)

The Compilation Engagement

5. The value of a compilation engagement results from the practitioner:
 - (a) Assisting management in the preparation and presentation of the compiled future-oriented financial information or pro forma in accordance with a basis of accounting selected by management and based on management's assumptions, including the preparation and presentation of the related notes; (Ref: Para. A12)
 - (b) Complying with professional standards, including relevant ethical requirements; and
 - (c) Issuing a compilation engagement report that clearly communicates the nature and limitations of the engagement, and the practitioner's and management's responsibilities.

1 Canadian Standard on Quality Management (CSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. Systems of quality management in compliance with CSQM 1 for related services engagements are required for related services engagements beginning on or after December 15, 2023.

2 CSQM 1, paragraph 5

6. A compilation engagement is not an assurance engagement. The practitioner:
 - (a) Is not required to perform procedures to evaluate the appropriateness of the assumptions, or verify the accuracy or completeness of the information provided by management;
 - (b) Does not express an audit opinion or a review conclusion, or provide any form of assurance on the compiled future-oriented financial information or pro forma; and
 - (c) Does not provide any form of assurance about the achievability of the compiled future-oriented financial information or pro forma because it is based on assumptions regarding conditions, courses of action and events or transactions. Therefore, actual results for the period covered will vary from the compiled future-oriented financial information or pro forma, and the variations may be material.

Bases of Accounting

7. Compiled future-oriented financial information or pro forma may be prepared and presented in accordance with: (Ref: Para. A13)
 - (a) A basis of accounting consistent with that expected to be applied in the preparation and presentation of the historical financial information for the future period; or
 - (b) Another basis of accounting that the third party has agreed to with management.
8. When the compiled future-oriented financial information or pro forma are prepared and presented in accordance with a basis of accounting consistent with that expected to be applied in the preparation and presentation of the historical financial information for the future period, it facilitates comparison with the historical financial information for the future period. Conversely, when a third party has agreed with management that another basis of accounting is more appropriate for their needs, the compiled future-oriented financial information or pro forma may not be comparable with the historical financial information for the future period. (Ref: Para. A14)
9. This CSRS requires the inclusion of a note in the compiled future-oriented financial information or pro forma that describes the basis of accounting applied. This note is intended to assist users in understanding how the compiled future-oriented financial information or pro forma are prepared and presented by, for example, describing the accounting policies used to recognize and measure items in the compiled future-oriented financial information or pro forma.

Authority of this CSRS

10. This CSRS contains the objectives of the practitioner in following the CSRS, which provide the context in which the requirements of this CSRS are set and are intended to assist the practitioner in understanding what needs to be accomplished in a compilation engagement of future-oriented financial information or pro forma.
11. This CSRS contains requirements, expressed using “shall”.
12. In addition, this CSRS contains introductory material, definitions, application and other explanatory material that provide context relevant to a proper understanding of the CSRS.
13. The application and other explanatory material provide further explanation of the requirements, and guidance for carrying them out. While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in this CSRS that assists in the application of the requirements.

Effective Date

14. This CSRS is effective for compilation engagements where the compilation engagement report is dated on or after [Month Day, 20XX].

Objectives

15. The practitioner's objectives in a compilation engagement under this CSRS are to:
- (a) Assist management in the preparation and presentation of the compiled future-oriented financial information or pro forma in accordance with a basis of accounting selected by management and based on management's assumptions and other information provided by management; and
 - (b) Report in accordance with this CSRS.

Definitions

16. The Glossary of Terms in the CPA Canada Handbook – Assurance includes the terms defined in this CSRS, as well as descriptions of other terms used in this CSRS, to assist in consistent application and interpretation. For example, the terms “management” and “those charged with governance” used throughout this CSRS are defined in the Glossary.
17. For the purposes of this CSRS, the following terms have the meanings attributed below:
- (a) Actual results – Historical financial information related to a period covered by the compiled future-oriented financial information or pro forma that has elapsed. Actual results may, or may not, be included in the compiled future-oriented financial information or pro forma.
 - (b) Best-estimate assumptions – Management's assumptions that are supportable and consistent with planned courses of action for the period covered, including planned courses of action based on future events that management expects to take place.
 - (c) Forecast – Future-oriented financial information prepared using best-estimate assumptions.
 - (d) Future-oriented financial information – Financial information about the future, based on management's assumptions about courses of action or future events, planned or hypothetical. Future-oriented financial information may be a forecast or a projection.
 - (e) Hypotheses – Courses of action that may not necessarily be consistent with either management's plans for the period covered or future events that management expects to take place but are plausible and consistent with the purpose of the projection. (Ref: Para. A16)
 - (f) Hypothetical assumptions – Management's assumptions derived from the hypotheses on which the projection is based. Such assumptions may not be supportable.
 - (g) Practitioner – The individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm). Where this CSRS expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “practitioner” is used.
 - (h) Professional judgment – The application of relevant training, knowledge and experience within the context provided by this CSRS and relevant ethical requirements, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.
 - (i) Pro forma – Financial information prepared by applying pro forma adjustments to the base financial information, to present the effects of one or more actual or contemplated events or transactions as if they had occurred at a specified date. Pro forma is presented in a format that includes: (Ref: Para. A17-A18)
 - The base financial information;
 - The pro forma adjustments; and
 - The resulting pro forma.
 - (j) Pro forma adjustments – Adjustments applied to the base financial information that are based on management's assumptions, to present the effects of one or more actual or contemplated events or transactions as if they had occurred at a specified date. (Ref: Para. A19)

- (k) Pro forma base financial information (Base financial information) – Historical financial information that is used as the starting point for applying pro forma adjustments.
 - (l) Projection – Future-oriented financial information prepared to present one or more hypotheses, using hypothetical assumptions, or a combination of hypothetical assumptions and best-estimate assumptions. (Ref: Para. A20)
 - (m) Relevant ethical requirements – Ethical requirements, which the engagement team and engagement quality reviewer are subject to when undertaking compilation engagements, are set out in relevant rules of professional conduct/code of ethics applicable to the practice of public accounting, issued by various professional accounting bodies, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.
 - (n) Third party – The individual, organization or group other than management or those charged with governance.
18. In this CSRS, references to “assumptions” mean “best-estimate assumptions” or “hypothetical assumptions”, including “hypotheses” unless stated otherwise.
19. In this CSRS, references to “management” mean “management and, where appropriate, those charged with governance.” (Ref: Para. A15)
20. Hereinafter in this CSRS, references to “financial information” mean the financial information prepared as a projection, a forecast or pro forma unless stated otherwise.

Requirements

Conduct of a Compilation Engagement in Accordance with this CSRS

21. The practitioner shall have an understanding of the entire text of this CSRS, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.
22. The practitioner shall comply with each requirement of this CSRS, unless a requirement is not relevant to the compilation engagement. A requirement is relevant to the compilation engagement when the circumstances addressed by the requirement exist.
23. The practitioner shall not represent compliance with this CSRS in the compilation engagement report unless the practitioner has complied with all requirements of this CSRS relevant to the compilation engagement.

Ethical Requirements

24. The practitioner shall comply with relevant ethical requirements. (Ref: Para. A21-A22)

Professional Judgment

25. The practitioner shall exercise professional judgment in performing a compilation engagement. (Ref: Para. A23-A24)

Engagement Level Quality Management

26. The engagement partner shall take overall responsibility for:
- (a) Managing and achieving quality on the compilation engagement and being sufficiently and appropriately involved throughout the engagement; and (Ref: Para. A25)
 - (b) The engagement being performed in accordance with the firm's quality management policies or procedures, by:
 - (i) Following the firm's policies or procedures regarding the acceptance of client relationships and engagements; (Ref: Para. A26)

- (ii) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures and any changes that may arise during the engagement;
- (iii) Being satisfied that the engagement team collectively have the appropriate competence and capabilities, including having sufficient time, to perform the compilation engagement;
- (iv) Being alert for indications of breaches of relevant ethical requirements by members of the engagement team, and determining the appropriate actions if matters come to the engagement partner's attention indicating that members of the engagement team have breached relevant ethical requirements; (Ref: Para. A27)
- (v) Directing and supervising engagement team members, reviewing their work and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements;
- (vi) Taking responsibility for appropriate engagement documentation being assembled, appropriately maintained and retained; and
- (vii) When an engagement quality review is required in accordance with CSQM 1 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.¹

Engagement Acceptance

27. Prior to accepting a compilation engagement, the practitioner shall:

- (a) Make inquiries of management regarding the intended use of the compiled financial information, including whether that information is intended to be used by a third party; and (Ref: Para. A28-A29)
- (b) Obtain an acknowledgment from management of the basis of accounting expected to be applied in the preparation and presentation of the compiled financial information. (Ref: Para. A30-A32)

When the Compiled Financial Information Is Intended to Be Used by a Third Party

28. When the compiled financial information is intended to be used by a third party, the practitioner may accept the engagement if, according to management, the third party:

- (a) Is in a position to request and obtain further information from the entity; or (Ref: Para. A33-A34)
- (b) Has agreed with management on the basis of accounting to be applied in the preparation and presentation of the compiled financial information. (Ref: Para. A35)

If neither (a) nor (b) is met, the practitioner shall not accept the engagement, unless the compiled financial information is expected to be prepared and presented:

- (i) As a forecast, and not a projection or pro forma; and
- (ii) In accordance with a basis of accounting comprising accounting policies consistent with the recognition and measurement principles of the general-purpose framework expected to be applied in preparing and presenting the historical financial information for the future period.

Agreeing to the Terms of the Engagement

29. Prior to performing the engagement, the practitioner shall agree to the terms of the engagement with management or those charged with governance, as appropriate. When the agreement is only with those charged with governance, the practitioner shall seek management's written acknowledgment of the terms set out in paragraph 30(g)(v). (Ref: Para. A36)

¹ CSQM 2, *Engagement Quality Reviews*

30. The agreed terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement and shall include: (Ref: Para. A37)
- (a) The objective and scope of the engagement;
 - (b) Whether the compiled financial information prepared and presented is to be a forecast, projection or pro forma;
 - (c) The intended use of the compiled financial information, including whether the compiled financial information is intended to be used by a third party, as identified in paragraph 27(a);
 - (d) The practitioner's responsibility to comply with this CSRS, including relevant ethical requirements;
 - (e) A statement that the practitioner has no responsibility to update their compilation engagement report for events and circumstances occurring after the date of the compilation engagement report;
 - (f) When the compiled financial information is intended to be used by a third party, the acknowledgment of management that the third party:
 - (i) Is in a position to request and obtain further information from the entity; or
 - (ii) Has agreed with management the basis of accounting to be applied in the preparation and presentation of the compiled financial information; or
 - (iii) Is neither (i) nor (ii).
 - (g) The acknowledgment of management or those charged with governance, as appropriate, that:
 - (i) A compilation engagement is appropriate for the intended use;
 - (ii) It understands that a compilation engagement will not fulfill the entity's legal, regulatory or contractual provisions, if any, for an assurance engagement; and
 - (iii) If the compiled financial information is intended to be used by a third party, management understands that the compiled financial information should not be used by third parties other than those:
 - a. Who are in a position to request or obtain further information from the entity; or
 - b. Have agreed with management the basis of accounting applied in the preparation and presentation of the compiled financial information;
 - (iv) The period covered by the compiled financial information does not extend beyond the point in time for which such information can be estimated;
 - (v) It is responsible for the compiled financial information, including:
 - a. For future-oriented financial information, the underlying assumptions and their appropriateness up to their effective date; or
 - b. For pro forma:
 - i. Identifying the appropriate base financial information; and
 - ii. Determining the appropriate pro forma adjustments that are based on assumptions up to their effective date;
 - c. Selecting the basis of accounting to be applied in the preparation and presentation of the compiled financial information that is appropriate for the intended use;
 - d. The accuracy and completeness of the information provided to the practitioner; and
 - e. Attaching the compilation engagement report when distributing or reproducing the compiled financial information; and
 - (h) The expected form and content of the compilation engagement report.

Performing the Engagement

The Practitioner's Knowledge

31. The practitioner shall obtain knowledge of the following matters, sufficient to be able to perform the compilation engagement: (Ref: Para. A38)
- (a) The entity's business and operations; (Ref: Para. A39)
 - (b) The entity's accounting system and accounting records; (Ref: Para. A40)
 - (c) The basis of accounting to be applied and, where applicable, the accounting policies underlying the most recent historical financial information;
 - (d) The assumptions to be applied and how management: (Ref: Para. A41-A48)
 - (i) Developed them; and
 - (ii) Determined they are appropriate in the circumstances; and
 - (e) For pro forma:
 - (i) The base financial information; and
 - (ii) The actual or contemplated events or transactions.

Preparing and Presenting the Compiled Financial Information

32. The practitioner shall prepare and present the compiled financial information using: (Ref: Para. A49-A50)
- (a) The basis of accounting consistent with that expected to be applied in the preparation and presentation of the historical financial information for the future period, unless management and the third party agreed to another basis of accounting;
 - (b) The assumptions considered by management to be appropriate in the circumstances; and
 - (c) For pro forma, a format that includes: (Ref: Para. A51)
 - (i) The base financial information considered by management to be appropriate in the context of the events or transactions;
 - (ii) The pro forma adjustments that are based on management's assumptions; and
 - (iii) The resulting pro forma that reflects the pro forma adjustments applied to the base financial information.
33. The practitioner shall prepare and present notes in the compiled financial information that:
- (a) Describe the basis of accounting applied, and where applicable, the accounting policies used; (Ref: Para. A52-A53)
 - (b) If the basis of accounting to be applied incorporates a change from the accounting policies applied in the most recently issued historical financial information, describe the change and its effect; (Ref: Para. A54)
 - (c) Describe the significant best-estimate assumptions and, for a projection, all hypotheses and the significant hypothetical assumptions, underlying the compiled financial information; (Ref: Para. A55)
 - (d) Disclose the effective date of the underlying assumptions, which shall be the same date that management or those charged with governance, as appropriate, have taken responsibility for the final version of the compiled financial information in accordance with paragraph 38; (Ref: Para. A56-A57)
 - (e) Disclose the extent to which actual results are incorporated and the period covered by those results;

- (f) For a forecast, disclose that the forecast has been prepared using management's best-estimate assumptions that are supportable and consistent with planned courses of action for the period covered, including planned courses of action based on future events that management expects to take place;
- (g) For a projection, disclose:
 - (i) The purpose for which it was prepared and presented; and (Ref: Para. A58)
 - (ii) That it has been prepared using management's:
 - a. Hypotheses that are courses of action that may not necessarily be consistent with either management's plans for the period covered or future events that management expects to take place but are plausible and consistent with the purpose of the projection;
 - b. Hypothetical assumptions that are derived from the hypotheses on which the projection is based. Such assumptions may not be supportable; and
 - c. If the projection includes best-estimate assumptions, best-estimate assumptions that are supportable and consistent with planned courses of action for the period covered, including planned courses of action based on future events that management expects to take place;
- (h) For pro forma, disclose:
 - (i) The purpose for which it was prepared and presented, including a description of the events or transactions; (Ref: Para. A59)
 - (ii) The date on which such events or transactions are assumed to occur and identify the base financial information;
 - (iii) That it has been prepared by applying pro forma adjustments to the base financial information to present the effects of one or more events or transactions as if they had occurred at a specified date; and
- (i) Include a caution to readers that, in view of the limitations and uncertainties inherent in predicting future conditions, actions, events or transactions, actual results for the period covered by the compiled financial information will vary from the information presented and that this variation may be material.

Discussing with Management Significant Judgments for Which Assistance Has Been Provided

34. When the practitioner assists management with significant judgments, including assumptions, used in preparation and presentation of compiled financial information, the practitioner shall discuss those judgments with management. (Ref: Para. A60-A61)

Reading the Compiled Financial Information

35. After preparing and presenting the compiled financial information, the practitioner shall read it in light of their knowledge of the entity, the basis of accounting and the assumptions applied and consider whether such compiled financial information does not appear misleading. The practitioner's consideration shall include whether: (Ref: Para. A62-A63)
- (a) The significant assumptions do not appear to be inappropriate in the circumstances;
 - (b) The period covered by the compiled financial information does not appear to extend beyond the period for which such information can be estimated; and (Ref: Para. A64)
 - (c) The compiled financial information does not appear to be incorrectly identified as a forecast, projection or pro forma. (Ref: Para. A65-A67)

Bringing Matters to the Attention of Management

36. If the practitioner becomes aware of matters that cause the compiled financial information to appear misleading, the practitioner shall bring these matters to management's attention and request additional or corrected information.

Withdrawing from the Engagement

37. If management does not provide additional or corrected information, as required by paragraph 36, or if the practitioner is otherwise unable to complete the engagement, the practitioner shall withdraw from the engagement and inform management of the reasons for withdrawing. (Ref: Para. A68-A69)

Acknowledgment of Responsibility for the Final Version of the Compiled Financial Information

38. The practitioner shall obtain an acknowledgment from management or those charged with governance, as appropriate, that it has taken responsibility for the final version of the compiled financial information, including that the underlying assumptions remain appropriate. (Ref: Para. A70-A71)

Facts that Become Known after the Compiled Financial Information Has Been Issued

39. If, after the date the compiled financial information has been issued, a fact becomes known to the practitioner that, had it been known to the practitioner at the date of the compilation engagement report, may have caused the practitioner to believe that the compiled financial information, including the underlying assumptions, appeared misleading, the practitioner shall:
- (a) Discuss the matter with management or those charged with governance, as appropriate;
 - (b) Determine whether the compiled financial information needs to be amended; and, if so,
 - (c) Inquire how management intends to address the matter in the compiled financial information.
40. If management requests that the compiled financial information be amended and the practitioner provides a new compilation engagement report on the amended compiled financial information, the practitioner shall:
- (a) Prepare the amended compiled financial information, including a note describing the nature of the amendment;
 - (b) Refer in the new compilation engagement report to the note required by paragraph 40(a) and to the earlier compilation engagement report provided by the practitioner; and
 - (c) Advise management to:
 - (i) Inform users in receipt of the previously issued compiled financial information and the earlier compilation engagement report that the compiled financial information has been amended; and
 - (ii) Provide users with the amended compiled financial information, together with the new compilation engagement report.
41. If the compiled financial information is not amended in circumstances where the practitioner believes it needs to be amended, or the practitioner becomes aware that management has not taken the steps required in paragraph 40(c), the practitioner shall take appropriate action. (Ref: Para. A72)

The Compilation Engagement Report

42. The compilation engagement report shall include the following: (Ref: Para. A22, A73-A75)
- (a) The title:
 - (i) For future-oriented financial information, "Compilation Engagement Report on Future-oriented Financial Information"; or
 - (ii) For pro forma, "Compilation Engagement Report on Pro Forma Financial Information";

- (b) An addressee (management or those charged with governance, as appropriate);
- (c) For future-oriented financial information, a statement that, on the basis of information provided by management, the practitioner has compiled the future-oriented financial information;
- (d) For pro forma, a statement that, on the basis of information provided by management, the practitioner has compiled the pro forma;
- (e) An identification of the financial information that has been subject to the compilation engagement, including whether it is a forecast, projection or pro forma;
- (f) The date of the compiled financial information or the period to which it relates;
- (g) A reference to the notes in the compiled financial information that describes:
 - (i) The basis of accounting and assumptions applied in the preparation and presentation of the compiled financial information;
 - (ii) For a projection, the purpose of the projection; and
 - (iii) For a pro forma, the purpose of the pro forma;
- (h) A description of management's responsibilities for the compiled financial information, including the:
 - (i) Accuracy and completeness of the underlying information used to compile it;
 - (ii) Selection of the basis of accounting;
 - (iii) For future-oriented financial information, the appropriateness of the underlying assumptions up to their effective date, as disclosed in the notes to the compiled financial information; and
 - (iv) For pro forma, the appropriateness of the base financial information and the appropriateness of the pro forma adjustments that are based on assumptions up to their effective date, as disclosed in the notes to the compiled pro forma.
- (i) A description of the practitioner's responsibilities to:
 - (i) Perform the engagement in accordance with this CSRS;
 - (ii) Comply with relevant ethical requirements; and
 - (iii) Assist management in the preparation and presentation of the compiled financial information;
- (j) An explanation that:
 - (i) For future-oriented financial information, the practitioner did not perform an audit engagement or a review engagement, nor were they required to perform procedures to verify the accuracy or completeness of the information provided by management or to evaluate the appropriateness of the assumptions;
 - (ii) For pro forma, the practitioner did not perform an audit engagement or a review engagement, nor were they required to perform procedures to verify the accuracy or completeness of the information provided by management or to evaluate the appropriateness of the pro forma adjustments and the underlying assumptions on which they are based; and
 - (iii) The practitioner does not express an audit opinion or a review conclusion or provide any form of assurance on the compiled financial information. (Ref: Para. A73)
- (k) A statement that:
 - (i) For future-oriented financial information, since the compiled future-oriented financial information is based on assumptions regarding courses of action and future events, actual results achieved for the period covered will vary from the information presented and that the variation may be material;
 - (ii) For pro forma, since the compiled pro forma is based on assumptions regarding events or transactions, actual results achieved for the period covered will vary from the information presented and that the variation may be material; and

- (iii) The practitioner has no responsibility to update their report for events and circumstances occurring after the date of the compilation engagement report;
- (l) A caution to readers that: (Ref: Para. A74)
 - (i) For future-oriented financial information, the compiled future-oriented financial information may not be appropriate for their purposes; and
 - (ii) For pro forma, the compiled pro forma may not be appropriate for their purposes;
- (m) The practitioner's signature;
- (n) The date of the compilation engagement report; and
- (o) The practitioner's address.

Date of the Compilation Engagement Report

43. The practitioner shall date the compilation engagement report on the date the practitioner has completed the compilation engagement in accordance with this CSRS. This includes obtaining acknowledgment from management or those charged with governance, as appropriate, that it has taken responsibility for the final version of the compiled financial information, including that the underlying assumptions remain appropriate, as required in paragraph 38.

Documentation

44. The practitioner shall prepare documentation that, in their judgment, is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand how the requirements of this CSRS were met. At a minimum, this documentation should include the following:
- (a) The intended use of the compiled financial information and the results of engagement acceptance;
 - (b) The engagement letter or other suitable form of written agreement with management;
 - (c) A description of the entity's business, operations, accounting system and accounting records;
 - (d) A description of the basis of accounting applied and, where applicable, the accounting policies used in the preparation and presentation of the compiled financial information;
 - (e) A description of the underlying assumptions applied in the preparation and presentation of the compiled financial information;
 - (f) A description of how management developed the underlying assumptions and determined that they are appropriate in the circumstances;
 - (g) For pro forma, a description of:
 - (i) The base financial information;
 - (ii) The events or transactions; and
 - (iii) The pro forma adjustments that are based on management's assumptions;
 - (h) A reconciliation of the entity's accounting records to the actual results incorporated into the compiled financial information;
 - (i) Where applicable, the discussion with management regarding significant judgments, including assumptions, for which the practitioner has provided assistance in the course of preparing and presenting the compiled financial information;
 - (j) Where applicable, the communication to management regarding matters that may cause the compiled financial information to appear misleading and how management has addressed these matters;
 - (k) A copy of the final version of the compiled financial information for which management or those charged with governance, as appropriate, have taken responsibility;

- (l) Acknowledgment of responsibility by management or those charged with governance, as appropriate, for the final compiled financial information, as required in paragraph 38; (Ref: Para. A70)
- (m) A copy of the compilation engagement report; and
- (n) Where applicable, the communication to management and the reason(s) for withdrawing from the engagement.

Application and Other Explanatory Material

Scope of this CSRS

Examples of Financial Information (Ref: Para. 1(a)-(b))

- A1. Financial information subject to a compilation engagement may include the following:
- A complete set of financial statements.
 - A part of a complete set of financial statements (e.g., a budgeted income statement or a cash flow forecast).
 - Schedules of financial information (e.g., adjusted earnings, funds from operations or adjusted revenue by revenue source).

Scope Exclusions – Use of the Term “Limited” (Ref: Para. 2)

- A2. There may be circumstances under which a practitioner prepares financial information for more than one use. For example, the financial information may be prepared as part of another service performed by the practitioner to assist in the preparation of forms prescribed by governmental and regulatory bodies for grant applications (meeting the scope exclusion in paragraph 2(e)) and also used in a circumstance not covered by the scope exclusions in paragraph 2. In such a case, the requirements of this CSRS apply because the circumstances are not limited to those described in paragraph 2.

Accounting, Business Advisory, or Consulting Services (Ref: Para. 2(c))

- A3. This CSRS does not apply to accounting, business advisory or consulting services. These services involve collecting, classifying, summarizing and processing data to create underlying information and to develop underlying assumptions that may result in financial information to which no practitioner’s communication is included or attached. The practitioner may be engaged to undertake these services either solely or in addition to a compilation engagement.

Financial Information Prepared as Part of Another Service Performed by the Practitioner (Ref: Para. 2(e))

- A4. This CSRS does not apply to financial information prepared as part of another service performed by a practitioner, for example:
- A service to assist in the preparation of forms prescribed by governmental and regulatory bodies.
 - A business valuation service.
 - A litigation support service.
 - A personal financial planning service.
 - Performing procedures on pro forma included in a prospectus as part of a request to issue a comfort letter or to participate in a due diligence meeting relating to a securities offering under AUDITOR ASSISTANCE TO UNDERWRITERS AND OTHERS, Section 7200.

Deciding to Apply this CSRS When Not Required (Ref: Para. 3)

- A5. Notwithstanding that this CSRS does not apply in the circumstances described in paragraph 2 the practitioner may decide to perform a compilation engagement. This may be the case when, in the practitioner's judgment, a compilation engagement report is necessary to avoid misunderstanding by users as to the nature and limitations of the engagement, and the practitioner's and management's responsibilities.

Relationship with CSQMs (Ref: Para. 4)

- A6. CSQM 1 deals with the firm's responsibilities to design, implement and operate a system of quality management for related services engagements, including compilation engagements.¹ CSQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.² CSQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.³
- A7. Under CSQM 1, the objective of the firm is to design, implement and operate a system of quality management for engagements, including compilation engagements, which provides the firm with reasonable assurance that:
- (a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
 - (b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.⁴
- A8. The provisions of this CSRS regarding quality management at the engagement level are premised on the basis that quality management requirements adopted are at least as demanding as those of CSQM 1 and impose obligations on the firm to achieve the objective of CSQM 1. Compliance with CSQM 1 requires, among other things, that the firm's system of quality management addresses the following eight components:⁵
- (a) The firm's risk assessment process;
 - (b) Governance and leadership;
 - (c) Relevant ethical requirements;
 - (d) Acceptance of client relationships and specific engagements;
 - (e) Engagement performance;
 - (f) Resources;
 - (g) Information and communication; and
 - (h) The monitoring and remediation process.
- A9. Within the context of the firm's system of quality management, engagement teams have a responsibility to implement the firm's policies or procedures applicable to the engagement.

1 CSQM 1, paragraph 1

2 CSQM 1, paragraph 2(a)

3 CSQM 1, paragraph 2(b)

4 CSQM 1, paragraph 14

5 CSQM 1, paragraph 6

A10. Ordinarily, the engagement team may depend on the firm's system of quality management unless:

- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
- Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.

For example, the engagement team may depend on the firm's system of quality management in relation to:

- Competence and capabilities of personnel through their recruitment and formal training.
- Independence through the accumulation and communication of relevant independence information.
- Maintenance of client relationships through the firm's policies or procedures for acceptance of engagements.
- Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.

In considering deficiencies¹ identified in the firm's system of quality management that may affect the compilation engagement, the engagement partner may consider the remedial actions undertaken by the firm to address those deficiencies that the engagement partner considers are sufficient in the context of the engagement.

A11. A deficiency in the firm's system of quality management does not necessarily indicate that a compilation engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the compilation engagement report was not appropriate.

The Compilation Engagement

The Value of a Compilation Engagement (Ref: Para. 5(a))

A12. The practitioner may assist management in:

- Selecting the basis of accounting to be applied;
- Developing assumptions; or
- Determining the pro forma adjustments.

Nonetheless, the responsibility for the preparation and presentation of the compiled financial information, including the assumptions, remains with management.

Bases of Accounting (Ref: Para. 7-8)

A13. The elements of presentation in relation to the compiled financial information, include:

- How transactions, events, assets, liabilities and equity are classified and summarized;
- How the recognition and measurement principles are reflected in the compiled financial information and the related notes; and
- Which statements are included in the compiled financial information (e.g., income statement, balance sheet, statement of retained earnings or cash flow statement).

¹ CSQM 1, paragraph C16(a)

- A14. When preparing and presenting compiled financial information, certain elements of presentation and disclosure that are expected to be applied in the preparation and presentation of the historical financial information for the future period may not be relevant to the compiled financial information.

Definitions (Ref: Para. 19)

- A15. In smaller entities, there is often no separation of the management and governance roles. In that case, those charged with governance may also be involved in managing the entity. In larger entities, management is often responsible for the execution of the business or activities of the entity and reporting thereon and those charged with governance oversee management.

Hypotheses (Ref: Para. 17(e))

- A16. Hypotheses may be known as a scenario, as in response to the question “What would happen if...?” Hypotheses establish the overarching basis upon which management develops the subset of hypothetical assumptions that may be combined with best-estimate assumptions, which the practitioner uses when preparing and presenting the compiled financial information.

For example, ABC Company is considering taking out a loan for the construction of a new plant. The lender has asked ABC Company for a projection of the potential impact of the new plant on the company’s operations. In preparing and presenting the projection, ABC Company considers the hypothesis, “What would happen if we constructed a new plant that would increase our production capacity?” A hypothetical assumption derived from the hypothesis may be that revenue will increase by XX per cent.

Pro Forma (Ref: Para. 17(i))

- A17. Pro forma may either:
- Present the effects of one or more contemplated events or transactions as if they had occurred at a specified date by applying pro forma adjustments that are based on management’s forward-looking assumptions; or
 - Present the effects of one or more actual events or transactions as if they had occurred at a specified date that differs from the date these events or transactions occurred, by applying pro forma adjustments that are based on management’s assumptions.
- A18. Pro forma may present the effects of actual or contemplated events or transactions, such as:
- A consolidation following a business combination.
 - Combined financial statements of companies or entities under common management or combined financial statements of a group of subsidiaries.
 - An acquisition or divestiture of an investment or subsidiary.
 - A disposition of assets, a business unit or a significant portion of the business operations.
 - A change in capital structure such as a financing arrangement or issuance of share capital.

Pro Forma Adjustments (Ref: Para. 17(j))

- A19. Pro forma adjustments applied to the base financial information may present the effects of one or more actual or contemplated events or transactions as if they had occurred at a specified date. Some adjustments present the effects that are directly attributable to the events or transactions, such as the adjustment to recognize the goodwill in a business combination. Other adjustments present the effects that are indirectly attributable to the events or transactions, such as the adjustments necessary to:
- Prepare and present the pro forma in accordance with a basis of accounting consistent with that selected by management; or
 - Eliminate the effects of unusual or non-recurring events or transactions.

Projection (Ref: Para. 17(l))

A20. Hypothetical assumptions, including hypotheses, used in a projection may be optimistic or pessimistic; however, they are always plausible and consistent with the purpose of the projection. For example, a real estate developer operating in a depressed real estate market prepares a projection to provide information about potential maximum income achievable if specific government initiatives were implemented and the real estate market were to recover. Management develops optimistic hypothetical assumptions regarding vacancy and net rent. Although the hypothetical assumptions derived from the hypotheses are optimistic, they are plausible and consistent with the purpose of the projection. In contrast, best-estimate assumptions used in a forecast are neither optimistic nor pessimistic but are consistent with management's planned courses of action for the period covered, including planned courses of action based on future events that management expects to take place. In this example, a forecast may be based on expected income within a depressed real estate market, reflecting the effects of anticipated strategies, and based on past performance and experience.

Ethical Requirements (Ref: Para. 24)

- A21. Relevant ethical requirements establish the fundamental principles of professional ethics, which include:
- Integrity;
 - Objectivity;
 - Professional competence and due care;
 - Confidentiality; and
 - Professional behaviour.

Independence (Ref: Para. 42)

A22. Relevant ethical requirements do not require the practitioner to be independent of the entity for a compilation engagement. However, the relevant ethical requirements may require disclosure in the compilation engagement report when the practitioner may be considered to be lacking independence.

Professional Judgment (Ref: Para. 25)

- A23. Areas where professional judgment may be needed include:
- Determining whether the engagement can be accepted.
 - Determining the extent of knowledge of the entity that is required to perform the compilation engagement. The practitioner's primary consideration is whether the knowledge obtained is sufficient to meet the practitioner's objectives for the compilation engagement.
 - Assisting management in making decisions about:
 - The basis of accounting to be applied, including, where applicable, the accounting policies to be used in the preparation and presentation of compiled financial information; and
 - Developing judgments, including significant assumptions and pro forma adjustments.
 - Determining what matters to bring to the attention of management.
 - Reading the compiled financial information and considering whether such compiled financial information does not appear misleading.
- A24. The exercise of professional judgment in a compilation engagement is based on the facts and circumstances that are known to the practitioner up to the date of the compilation engagement report.

Engagement Level Quality Management (Ref: Para. 26)

- A25. The actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking overall responsibility for managing and achieving quality on each engagement, emphasize the importance to achieving the quality of the engagement of:
- (a) Performing work that complies with professional standards and regulatory and legal requirements;
 - (b) Complying with the firm's quality management policies or procedures as applicable; and
 - (c) Issuing the practitioner's report for the engagement that is appropriate in the circumstances.

Acceptance of Client Relationships and Compilation Engagements (Ref: Para. 26(b)(i))

- A26. CSQM 1 requires the firm to establish quality objectives dealing with the appropriateness of its judgments about whether to accept a client relationship or engagement based on information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management and, when appropriate, those charged with governance) that is sufficient to support such judgments. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.

Compliance with Relevant Ethical Requirements in Conducting the Engagement (Ref: Para. 26(b)(iv))

- A27. CSQM 1 sets out the firm's responsibilities for establishing quality objectives that address the fulfillment of responsibilities in relation to the relevant ethical requirements. This CSRS sets out the engagement partner's responsibilities with respect to the engagement team's compliance with relevant ethical requirements.¹

Engagement Acceptance

Making Inquiries of Management Regarding the Intended Use of the Compiled Financial Information (Ref: Para. 27(a))

- A28. In making inquiries of management as required by paragraph 27(a), management's response may be, for example, that the compiled financial information is intended to be used for borrowing purposes, but management may not have identified a specific lender. Such response may be sufficient information for the practitioner to consider the conditions for accepting the engagement under paragraph 28. In other circumstances, the practitioner may need further information about the third party to consider those conditions.
- A29. There may be circumstances when management is unable to inform the practitioner of the use of the compiled financial information. In such circumstances, the practitioner does not have sufficient information to consider the conditions outlined in paragraph 28. The practitioner may either:
- (a) Not accept the engagement; or
 - (b) Prepare a forecast, and not a projection or pro forma, using a basis of accounting described in paragraph 28(ii).

¹ CSQM 1, paragraph 29

Obtain Acknowledgment from Management of the Basis of Accounting (Ref: Para. 27(b))

- A30. Prior to accepting the engagement, the practitioner is required to obtain an acknowledgment from management of the basis of accounting expected to be applied in the preparation and presentation of the compiled financial information. Management may not possess the necessary knowledge to identify the basis of accounting and may need the practitioner's assistance. While the practitioner may assist, management retains responsibility for the compiled financial information, including selecting the basis of accounting to be applied.
- A31. Factors that the practitioner may consider in assisting management in identifying the basis of accounting to be applied include:
- The nature of the entity.
 - The intended use of the compiled financial information.
 - Whether there are any specific financial reporting requirements under applicable law or regulation, or contractual provisions with a third party.
- A32. At the time of engagement acceptance, the acknowledgment from management of the basis of accounting expected to be applied may take different forms. This acknowledgment may be written (e.g., in paper form, or by electronic or other medium) or oral communication documented by the practitioner. The basis of accounting expected to be applied may change during the performance of the engagement. Paragraph 38 requires the practitioner to obtain acknowledgment from management or those charged with governance, as appropriate, that it has taken responsibility for the final version of the compiled financial information, which includes the final basis of accounting applied.

When the Compiled Financial Information Is Intended to Be Used by a Third Party (Ref: Para. 28)

- A33. The basis of accounting to be applied in the preparation and presentation of the compiled financial information may not comprise accounting policies consistent with the recognition and measurement principles of a general-purpose framework. Some third parties may have agreed with management that such a basis of accounting is sufficient for their information needs. However, other third parties who may not have agreed with management may be misled by such compiled financial information unless they are in a position to request and obtain further information from the entity, such as lenders.
- A34. A third party may be in a position to request and obtain further information from the entity through law, regulation, contract, negotiation or other arrangements. The practitioner is not required to verify whether the third party is in a position to request and obtain further information from the entity. Management's acknowledgment that the third party is in a position to request and obtain further information from the entity is included in the engagement letter or other suitable form of written agreement, as required by paragraph 30(f)(i).
- A35. A third party may have agreed with management on the basis of accounting to be applied in the preparation and presentation of the compiled financial information, in writing or orally. The practitioner is not required to verify whether the third party has agreed to that basis of accounting. Management's acknowledgment that it has agreed with the third party the basis of accounting to be applied in the preparation and presentation of the compiled financial information is included in the engagement letter or other suitable form of written agreement, as required by paragraph 30(f)(ii).

Agreeing to the Terms of the Engagement (Ref: Para. 29-30)

- A36. The written agreement documenting the terms of the engagement helps avoid misunderstanding regarding such matters as the scope of the engagement, the extent of the practitioner's and management's responsibilities, and the form and content of the compilation engagement report to be issued.

Example of an Engagement Letter (Ref: Para. 30)

A37. Appendix 1 contains an example of a compilation engagement letter.

Performing the Engagement

The Practitioner's Knowledge (Ref: Para. 31)

A38. Obtaining the knowledge required by paragraph 31 is an ongoing process that occurs throughout the performance of the compilation engagement. Such knowledge may include information obtained from prior engagements the practitioner performed. The practitioner's knowledge may be obtained through:

- (a) Discussion with management or others within the entity who, in the practitioner's judgment, may have information that is likely to assist the practitioner in the preparation and presentation of the compiled financial information;
- (b) Where applicable, performing other engagements for the entity (e.g., a compilation engagement on the historical financial information, accounting services or taxation services); and
- (c) Experience gained with the entity's industry or sector.

A39. In obtaining knowledge of the entity's business and operations, the practitioner may consider:

- (a) The nature of the entity's assets, liabilities, revenues and expenses;
- (b) The size and complexity of the entity and its operations;
- (c) The accounting policies and practices of the industry in which the entity operates or will operate; and
- (d) Management's course of actions, planned or hypothetical, for the period covered by the financial information.

A40. In obtaining knowledge of the entity's accounting system and accounting records, the practitioner may consider how transactions are recorded, classified and summarized in the entity's historical financial information to determine:

- (a) The nature and extent of adjustments that may need to be made for the compiled financial information to be prepared and presented in accordance with the basis of accounting selected by management; and
- (b) Whether the information provided is not otherwise misleading.

Obtaining Knowledge of the Assumptions to be Applied and How Management Developed Them and Determined They are Appropriate. (Ref: Para. 31(d))

A41. In obtaining knowledge of the assumptions to be applied, the practitioner may consider the differences in their nature. For example:

- Some assumptions may be based on information that management can control and relates directly to the entity (e.g., labour costs); and
- Other assumptions may be based on factors that are beyond management's control and are not specific to the entity's circumstances (e.g., interest rates).

A42. For best-estimate assumptions, in obtaining knowledge of how management developed them and determined they are appropriate in the circumstances, the practitioner may consider how management determined that such assumptions are:

- (a) Internally consistent;
- (b) Consistent with the planned courses of action for the period covered; and
- (c) Supportable.

- A43. For best-estimate assumptions, factors that may assist the practitioner in considering how management determined that they are consistent with the planned courses of action for the period covered include whether they reflect the expected effects of anticipated strategies, programs, and actions, including those planned in response to expected future events.
- A44. For best-estimate assumptions, factors that may assist the practitioner to consider how management determined that they are supportable include, for example:
- (a) The credibility and relevance of the sources of information on which the assumptions are based, such as:
 - The entity's past performance;
 - The performance of other entities engaged in similar activities;
 - Feasibility studies; or
 - Marketing studies.
 - (b) The extent of management's experience and industry knowledge.
 - (c) The period to which the assumption applies, considering that subjectivity ordinarily increases with the length of the period covered by the financial information.
 - (d) The entity's phase of operations. For example, an entity in its start-up phase or venturing into new direction may have more difficulty predicting future events than an entity that has been operating for several years in the same industry or environment.
 - (e) The extent of control the entity exercises over its operating environment.
- A45. For hypotheses and hypothetical assumptions, in obtaining knowledge of how management developed them and determined they are appropriate in the circumstances; the practitioner may consider how management determined that such assumptions are:
- (a) Internally consistent;
 - (b) Consistent with the purpose of the projection; and
 - (c) Plausible, even if they may not be supportable or consistent with either management's planned courses of action for the period covered or future events that management expects to take place.
- A46. Once management develops the hypotheses, it develops hypothetical assumptions. Hypothetical assumptions may be developed along with best-estimate assumptions that are based on management's planned courses of action and expected future events should the hypotheses occur or prove true.
- A47. For pro forma, in obtaining knowledge of how management developed the assumptions and determined they are appropriate in the circumstances, the practitioner may also consider how management determined that the pro forma adjustments that are based on management's assumptions present the effects that are directly and indirectly attributable to the events or transactions.
- A48. When developing assumptions, management may use automated tools and techniques. In such cases, the practitioner may consider obtaining knowledge of:
- (a) The type of automated tools and techniques used by management and how it uses them (e.g., management may use an automated tool with a predictive model to develop forward-looking cashflow assumptions based on historical cash deposits);
 - (b) The data inputs into these automated tools and techniques; and
 - (c) How management determined the assumptions generated by these automated tools and techniques are appropriate.

Preparing and Presenting the Compiled Financial Information (Ref: Para. 32)

A49. The practitioner's involvement in preparing and presenting the compiled financial information will vary depending on the circumstances of the engagement. For example:

- (a) In some cases, the practitioner may receive the underlying accounting records, documents, explanations, assumptions or other information from management and prepare and present the compiled financial information.
- (b) In other cases, management may have already prepared and presented the financial information in a draft or preliminary form.

In either case, the practitioner assists management in the preparation and presentation of the compiled financial information.

A50. During the engagement, the practitioner may become aware of a change in the intended use of the compiled financial information. In such case, the practitioner may consider revising the terms of the engagement. For example, the practitioner may do so when the change in the intended use affects the basis of accounting applied in the preparation and presentation of the compiled financial information.

Presentation of the Compiled Pro Forma (Ref: Para. 32(c))

A51. Ordinarily, pro forma is presented in a columnar format, consisting of the base financial information, pro forma adjustments and resulting pro forma. However, in rare circumstances, depending on the nature of the event or transaction, management may select a different format, such as presenting the pro forma in rows or disclosures. Different formats may be acceptable if they include the base financial information, pro forma adjustments and resulting pro forma.

Preparing and Presenting Notes in the Compiled Financial Information (Ref: Para. 33(a))

Describing the Basis of Accounting Applied (Ref: Para. 33(a))

A52. The compiled financial information may be prepared and presented in accordance with a basis of accounting comprising accounting policies consistent with the recognition and measurement principles of the general-purpose framework expected to be applied in preparing and presenting the historical financial information for the future period. When such a basis of accounting is used, it is inappropriate for the description of this basis of accounting to imply full compliance or consistency with the general-purpose framework of the historical financial information, including the recognition, measurement, presentation and disclosure requirements. A description of the basis of accounting that contains imprecise qualifying or limiting language (e.g., "the financial information is substantially consistent with Canadian accounting standards for private enterprises") is inadequate as it may mislead users of the compiled financial information.

A53. Management may decide to present an item(s) in the compiled financial information as a range rather than as a specific amount. A range emphasizes the imprecision inherent in the compiled financial information. However, the wider the range of amounts presented, the less meaningful it may be to users.

Description of Change in Accounting Policies Applied and Its Effect (Ref: Para. 33(b))

A54. Describing the change in accounting policies from the most recently issued historical financial information and its effect may enable the user to compare the compiled financial information with the historical financial information.

Description of the Underlying Assumptions (Ref: Para. 33(c))

A55. All hypotheses are considered significant and are therefore required to be disclosed in the

compiled projection. However, only significant best-estimate assumptions and significant hypothetical assumptions are required to be disclosed in the compiled financial information. An assumption may be considered significant when:

- (a) It differs significantly from current conditions;
- (b) It has a relatively high probability of a significant variation; or
- (c) The compiled financial information is highly sensitive to minor changes in the assumption (e.g., a one-year sales forecast that is highly sensitive to the rate of growth in sales, or financing costs that are highly sensitive to fluctuations in interest rates).

Disclosure of the Effective Date of the Underlying Assumptions (Ref: Para. 33(d))

- A56. The effective date of the underlying assumptions is required to be disclosed in the notes to the compiled financial information. The date signifies when management takes responsibility for the appropriateness of these underlying assumptions used in preparing and presenting the compiled financial information. This disclosure informs users that, according to management, the assumptions are appropriate as of this date, even though the information used to develop them may have been accumulated over time.
- A57. The bases on which management's assumptions have been developed may include a third-party report, such as a feasibility study prepared by an actuary or valuator engaged by management, or publications by government bodies or industry sources. In such instances, management may decide to disclose in the compiled financial information the use of the third-party report, including its name and date. The third-party report may be dated earlier than the date management or those charged with governance, as appropriate, acknowledge that they have taken responsibility for the final version of compiled financial information, including that the underlying assumptions remain appropriate, in accordance with paragraph 38. While the third-party report might have an earlier date, management is responsible for determining that the underlying assumptions derived from that report remain appropriate as of the date they take responsibility for the final version of the compiled financial information.

Disclosing the Purpose of the Projection (Ref: Para. 33(g)(i))

- A58. The description of the purpose of the projection in the notes to the compiled financial information is intended to demonstrate the hypothesis on the subject-matter information that is relevant to the projection's intended use, according to management.

For example, the purpose of the projection may be described as "This projection presents the expected earnings of XYZ Company if its production capacity was increased by 50 per cent through the construction of a new plant." In this case, the hypothesis may be "What would happen if XYZ Company increased its production capacity through the construction of a new plant?"

Disclosing the Purpose of the Pro forma (Ref: Para. 33(h)(i))

- A59. The description of the purpose of the pro forma in the note in the compiled financial information is intended to demonstrate the effects of one or more events or transactions on the entity's base financial information as if they had occurred at a specified date.

For example, when the event or transaction is a contemplated business combination, the purpose of the pro forma may be described as "This pro forma presents the effects of the contemplated business combination on ABC Company's historical financial statements as of December 31, 20X1, as if the business combination had occurred on December 31, 20X1."

Discussing with Management Significant Judgments for Which Assistance Has Been Provided (Ref: Para. 34)

- A60. In some engagements, the practitioner may assist management with significant judgments, such as:
- Making an accounting estimate;
 - Selecting an accounting policy;
 - Developing an assumption (e.g., the rate of growth in revenues used in a new product line; or
 - Determining a pro forma adjustment (e.g., the allocation of the purchase price resulting from a business combination).
- A61. The practitioner discusses significant judgments with management so that management understands the impact of these judgments on the compiled financial information and accepts responsibility for them in accordance with paragraph 38.

Reading the Compiled Financial Information (Ref: Para. 35)

- A62. In reading the compiled financial information, the practitioner may consider whether it does not appear to:
- Have clerical or arithmetical errors;
 - Have any errors or omissions in the basis of accounting applied;
 - Have missing notes (such as those required in paragraph 33);
 - Be misleading in light of the actual results, regardless of whether the actual results are incorporated; and
 - Have missing or inappropriate underlying information, such as missing or inappropriate:
 - Significant assumptions; or
 - For pro forma, pro forma adjustments that are necessary to present the effects directly attributable to the events or transactions as if they had occurred at a specified date.
- A63. In reading the compiled financial information, the practitioner may become aware of matters that cause such information to appear misleading. Relevant ethical requirements require the practitioner to not associate with such information.
- A64. In reading the compiled financial information and considering whether the period covered does not appear to extend beyond the period for which such information can be estimated, the practitioner may consider the knowledge it obtained regarding:
- The intended use of the compiled financial information;
 - How management developed the assumptions and determined they are appropriate; and
 - The entity's business and operations.

The degree of uncertainty for which information can be estimated may increase when the period covered by the financial information extends beyond one reporting period because the underlying assumptions may become increasingly difficult for management to develop and determine to be appropriate.

- A65. The identification of the compiled financial information as either a forecast, projection or pro forma may highlight for the user the degree of uncertainty associated with the information.
- A66. As the period covered by financial information is extended, a significant or a set of best-estimate assumption(s) may no longer be supportable. In such cases, these assumption(s) may be considered as hypothetical assumption(s), and thereby, the forecast would become a projection.

A67. Financial information may be a forecast, projection, pro forma or a combination (e.g., a one-year forecast and a five-year projection, or a pro forma opening balance sheet and a five-year projection). When the financial information incorporates a forecast and a projection, it is appropriate to label the compiled financial information as a projection. When the financial information incorporates pro forma with either a forecast or a projection, it is appropriate to label the compiled financial information as a pro forma.

Withdrawing from the Engagement (Ref: Para. 37)

- A68. The practitioner may be unable to complete the engagement if, for example:
- (a) Management does not provide the practitioner with the records, documents, assumptions, explanations or other information needed to prepare and present the compiled financial information;
 - (b) A correction is necessary to the compiled financial information and management refuses to make the correction; or
 - (c) The practitioner becomes aware of information that was not known at the time the engagement was accepted that, had it been known, the practitioner would not have accepted the engagement.
- A69. If withdrawing from the engagement is not possible under relevant ethical requirements, the practitioner may consider it appropriate to seek advice about the professional and legal responsibilities applicable in the circumstances.

Acknowledgment of Responsibility for the Final Version of the Compiled Financial Information (Ref: Para. 38, 44(l))

- A70. Acknowledgment from management or those charged with governance, as appropriate, that it has taken responsibility for the final version of the compiled financial information, including that the underlying assumptions remain appropriate, may take different forms, such as:
- A signature on the final version of the compiled financial information;
 - A written communication (e.g., in paper form, or by electronic or other medium); or
 - An oral acknowledgment documented by the practitioner.
- A71. Management is responsible to satisfy themselves that the assumptions, individually or in the aggregate are appropriate in the circumstances as of the date that management takes responsibility for the final version of the compiled financial information, even though the information that management used to develop the assumptions may have been accumulated over time.

Facts that Become Known after the Compiled Financial information Has Been Issued (Ref: Para. 41)

- A72. The practitioner's responsibilities when the practitioner is aware of an intended or actual inappropriate use of the practitioner's communication or name are set out in CSOA 5000.¹

The Compilation Engagement Report (Ref: Para. 42-43)

- A73. An important purpose of the compilation engagement report is to clearly communicate the nature and limitations of the engagement, and the practitioner's and management's responsibilities. The compilation engagement report is not a vehicle to express an opinion or a conclusion on the compiled financial information in any form.

¹ Canadian Standard on Association (CSOA) 5000, *Use of the Practitioner's Communication or Name*

- A74. It is appropriate for the practitioner to prepare the compiled financial information for management's purposes since management is aware of the possible limitations of the compiled financial information. It is management, not the practitioner, that determines the distribution of the compiled financial information. Accordingly, it is necessary to include a caution to readers in the compilation engagement report to inform others that may use the compiled financial information that such information may be inappropriate for their purposes.
- A75. Appendix 2 contains illustrations of compilation engagement reports, incorporating the elements set forth in paragraph 42.

Example of a Compilation Engagement Letter¹

The following is an example of an engagement letter for a compilation engagement for a forecast that illustrates the relevant requirements and guidance contained in this Canadian Standard on Related Services (CSRS). This letter is non-authoritative and is intended only as a guide that may be used in conjunction with the considerations outlined in this CSRS. It will need to be adapted according to the requirements and circumstances of the individual compilation engagement.

This engagement letter illustrates the following circumstances:

- The future-oriented financial information is to be compiled for use by management of ABC Company and is intended to be used by third parties, being current or potential lenders for borrowing purposes.
- The third parties are in a position to request and obtain further information from the entity.
- The compiled future-oriented financial information will comprise only the forecasted balance sheet of the company as at December 31, 20X1, and the forecasted statement of income and retained earnings for the year then ending, and the accompanying notes.

[Insert the appropriate addressee(s) of ABC Company]:²

[The objective and scope of the compilation engagement and whether the compiled financial information is a forecast, projection, or pro forma]

You³ have requested that, on the basis of information that you will provide, we assist you in the preparation and presentation of the compiled forecasted balance sheet of ABC Company as at December 31, 20X1, the forecasted statement of income and retained earnings for the year then ending, and the accompanying notes (“future-oriented financial information”). The notes describe the basis of accounting and the assumptions to be applied in the preparation and presentation of the compiled future-oriented financial information, and other explanatory information.

[The intended use of the compiled future-oriented financial information]

The compiled future-oriented financial information is intended to be used by management of ABC Company and third parties, being current or potential lenders for borrowing purposes.

We are pleased to confirm our acceptance and understanding of this compilation of future-oriented financial information engagement by means of this letter.

[The practitioner's responsibilities]

We will perform the compilation engagement on future-oriented financial information in accordance with Canadian Standard on Related Services (CSRS) 4250, *Compilation Engagements on Future-oriented Financial Information and Pro Forma*, which requires us to comply with relevant ethical requirements.

A compilation engagement on future-oriented financial information involves us assisting you in the preparation and presentation of the compiled future-oriented financial information. Since a compilation engagement on future-oriented financial information is not an assurance engagement, we are not

¹ Throughout this example, the words in square brackets indicate where the example would be customized. The italicized headings in square brackets are meant to be explanatory and are not required to be included in the letter.

² The addressee(s) and references in the letter would be management or those charged with governance, as appropriate (see paragraph 29).

³ Throughout this letter, references to “you”, “we”, “us”, “management”, “those charged with governance” and “practitioner” would be used or amended as appropriate in the circumstances.

required to perform procedures to verify the accuracy or completeness of the information you provide to us, or to evaluate the appropriateness of the underlying assumptions. Accordingly, we will not express an audit opinion or a review conclusion or provide any form of assurance on the compiled future-oriented financial information. Further, we have no responsibility to update our report for events and circumstances occurring after the date of this report.

[Management's responsibilities]

The compilation engagement on future-oriented financial information is performed on the basis that you acknowledge that:

- (a) The third party that intends to use the compiled future-oriented financial information is in a position to request and obtain further information from the entity;
- (b) A compilation engagement is appropriate for the intended use;
- (c) You understand that compiled future-oriented financial information will not fulfill the entity's legal, regulatory or contractual provisions, if any, for an audit engagement or a review engagement;
- (d) You understand that the compiled future-oriented financial information should not be used by third parties other than those who are in a position to request or obtain further information from the entity, or have agreed with you on the basis of accounting to be applied in the preparation and presentation of the compiled future-oriented financial information; and
- (e) The period covered by the compiled future-oriented financial information does not extend beyond the point in time for which such information can be estimated.

Further, you acknowledge that you are responsible for:

- (a) The compiled future-oriented financial information, including the underlying assumptions and their appropriateness up to their effective date;
- (b) Selecting the basis of accounting to be applied in the preparation and presentation of the compiled future-oriented financial information that is appropriate for the intended use;
- (c) The accuracy and completeness of the information provided to us; and
- (d) Attaching the compilation engagement report when distributing or reproducing the compiled future-oriented financial information.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[Insert appropriate reference to the expected form and content of the compilation engagement report.]

If you have any questions about the contents of this letter, please raise them with us. Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for the compilation engagement.

[Practitioner's signature]

Acknowledged and agreed on behalf of the management of ABC Company by

[Management's signature]

[Name and Title]

[Date]

Illustrations of Compilation Engagement Reports¹

- **Illustration 1:** Compilation engagement report on future-oriented financial information when the practitioner compiles a forecast.
- **Illustration 2:** Compilation engagement report on future-oriented financial information when the practitioner compiles a projection.
- **Illustration 3:** Compilation engagement report when the practitioner compiles pro forma financial information.

Illustration 1

COMPILATION ENGAGEMENT REPORT ON FUTURE-ORIENTED FINANCIAL INFORMATION

[To Management of ABC Company²]

On the basis of information provided by management, we have compiled the forecasted balance sheet of ABC Company as at December 31, 20X1, the forecasted statement of income and retained earnings for the year then ending, and the accompanying notes (“future-oriented financial information”). The notes describe the basis of accounting and the assumptions applied in the preparation and presentation of the compiled future-oriented financial information, and other explanatory information.

Management is responsible for the accompanying future-oriented financial information, including the accuracy and completeness of the underlying information used to compile it, the selection of the basis of accounting and the appropriateness of the underlying assumptions up to their effective date, as disclosed in the notes.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4250, *Compilation Engagements on Future-oriented Financial Information and Pro Forma*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation and presentation of the future-oriented financial information.

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 or evaluate the appropriateness of the assumptions. Accordingly, we do not express an audit opinion or a review conclusion or provide any form of assurance on the future-oriented financial information.

Further, since this the future-oriented financial information is based on assumptions regarding courses of action and future events, actual results achieved for the period covered will vary from the information presented and the variations may be material. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

Readers are cautioned that the future-oriented financial information may not be appropriate for their purposes.

[Practitioner's signature]

[Date of the report]

[Practitioner's address]

¹ Throughout this illustration, the words in square brackets indicate where the example would be customized.

² The addressee(s) in the compiled forecast report would be management or those charged with governance, as appropriate (see paragraph 42(b)).

Illustration 2

COMPILATION ENGAGEMENT REPORT ON FUTURE-ORIENTED FINANCIAL INFORMATION

[To Management of ABC Company¹]

On the basis of information provided by management, we have compiled the projected balance sheet of ABC Company as at December 31, 20X1, the projected statement of income and retained earnings for the year then ended, and the accompanying notes (“future-oriented financial information”). The notes describe the purpose of the projection, the basis of accounting and the assumptions applied in the preparation and presentation of the compiled future-oriented financial information, and other explanatory information.

Management is responsible for the accompanying future-oriented financial information, including the accuracy and completeness of the underlying information used to compile it, the selection of the basis of accounting and the appropriateness of the underlying assumptions up to their effective date, as disclosed in the notes.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4250, *Compilation Engagements on Future-oriented Financial Information and Pro Forma*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation and presentation of the future-oriented financial information.

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 or evaluate the appropriateness of the assumptions. Accordingly, we do not express an audit opinion or a review conclusion or provide any form of assurance on the future-oriented financial information.

Further, since this future-oriented financial information is based on assumptions regarding courses of action and future events, actual results achieved for the period covered will vary from the information presented and the variations may be material. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

Readers are cautioned that the future-oriented financial information may not be appropriate for their purposes.

[Practitioner's signature]

[Date of the report]

[Practitioner's address]

¹ The addressee(s) in the compiled projection report would be management or those charged with governance, as appropriate (see paragraph 42(b)).

Illustration 3

COMPILATION ENGAGEMENT REPORT ON PRO FORMA FINANCIAL INFORMATION

[To Management of ABC Company¹]

On the basis of information provided by management, we have compiled the pro forma balance sheet of ABC Company as at December 31, 20X1, the pro forma statement of income and retained earnings for the year then ended; and the accompanying notes (“pro forma”). The notes describe the purpose of the pro forma, the basis of accounting and the assumptions applied in the preparation and presentation of the compiled pro forma, and other explanatory information.

Management is responsible for the accompanying pro forma, including the accuracy and completeness of the underlying information used to compile it, the selection of the basis of accounting, the appropriateness of the base financial information and the appropriateness of the pro forma adjustments that are based on assumptions up to their effective date, as disclosed in the notes.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4250, *Compilation Engagements on Future-oriented Financial Information and Pro Forma*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation and presentation of the pro forma.

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 or evaluate the appropriateness of the pro forma adjustments and the underlying assumptions on which they are based. Accordingly, we do not express an audit opinion or a review conclusion or provide any form of assurance on the pro forma.

Further, since this pro forma is based on assumptions regarding events or transactions, actual results achieved for the period covered will vary from the information presented and the variations may be material. We have no responsibility to update our report for events and circumstances occurring after the date of this report.

Readers are cautioned that the pro forma may not be appropriate for their purposes.

[Practitioner's signature]

[Date of the report]

[Practitioner's address]

¹ The addressee(s) in the compiled pro forma report would be management or those charged with governance, as appropriate (see paragraph 42(b)).

PROPOSED CONSEQUENTIAL AMENDMENTS

CSRS 4200, *Compilation Engagements*

Introduction

Scope of this CSRS

1. This Canadian Standard on Related Services (CSRS) deals with:
 - (a) The practitioner's responsibilities when engaged to perform a compilation engagement on financial information, except when the financial information is a ~~forecast or a projection~~ future-oriented financial information or pro forma, which is dealt with in CSRS 4250 AuG-16;¹ and (Ref: Para. A1)
 - (b) The form and content of the compilation engagement report on the compiled financial information.

Application and Other Explanatory Material

Scope of this CSRS (Ref: Para. 1-3)

Examples of Financial Information (Ref: Para. 1(a))

- A1. Financial information subject to a compilation engagement may include the following:
 - A complete set of financial statements.
 - A part of a complete set of financial statements.
 - Schedules of financial information.
 - ~~Pro forma financial information.~~

¹ ~~ASSURANCE AND RELATED SERVICES GUIDELINE AuG-16, Compilation of a Financial Forecast or Projection Canadian Standard on Related Services (CSRS) 4250, *Compilation Engagements on Future-oriented Financial Information and Pro Forma*.~~

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