Table of Contents

TAB 1: GAAP TOPIC OVERVIEW 2025 1

26 Question Quiz on GAAP Presentation for Financial Statements 1

LIQUIDATION BASIS OF ACCOUNTING 11

Sample Financial Statements Utilizing Liquidation Basis of Accounting 13

FASB Provides Alternative to the Goodwill Triggering Event Assessment 15

FASB ASU 2019-06 Goodwill & Intangible- Private Companies/Non-Profits 15

Background 16

Key Provisions 16

Goodwill 16

Identifiable Intangible Assets 17

Effective Dates 17

Goodwill Accounting Alternative Transition 17

Intangible Asset Accounting Alternative Transition 17

TOPIC 606 – REVENUE RECOGNITION 18

Background 18

New Topic 606 – Revenue Recognition 18

Scope 19

WHAT CLIENTS WILL BE IMPACTED BY TOPIC 606? 20

KEY CONSIDERATIONS 20

Effective Date 21

TAB 2: Implementing New GAAP Accounting Standards 23

ASU Changes Reporting of Leases Significantly 23

DIFFERENCES IN LEASE CLASSIFICATION 28

Illustrations 29

EXHIBIT 1 29

EXHIBIT 2 30

EXHIBIT 3 32

EXHIBIT 4 33

EXHIBIT 5 33

UPDATE TO NEW LEASING STANDARD – FASB ASU 2023-1 34

Leasehold Improvements as a Practical Expedient 35

Other Recent Pronouncements 35

FASB ASC 326: Financial Instruments 35

FASB ASU 2020 – 07 – Gifts in Kind (GIK) 37

FASB ASU 2018-15 and 2021-01 – Reference Rate Reform 39

Costs Associated with Cloud Computing – FASB ASU 2018-15 40

FASB ASU 2023-08 INTANGIBLES 41

FASB 2023-09: INCOME TAXES TOPIC 740 46

TAB 3: SAS Summary 49

SAS No.122 49

SAS No.123 61

SAS No.124 62

SAS No.125 62

SAS No.127 62

SAS No.128 63

SAS No.129 63

SAS No.130 63

SAS No.131 64

SAS No.132 64

SAS No.133 65

SAS No.134 65

SAS No.135 66

SAS No.136 66

SAS No.137 67

SAS No.138 67

SAS No.139 68

SAS No.140 69

SAS No.141 69

SAS No.142 70

SAS No.143 70

SAS No.144 71

Proposed and Recently Issued Clarified SASs and Interpretations 72

PROPOSED SAS: EXTERNAL CONFIRMATIONS 72

SAS 149 72

REQUIREMENTS AND KEY CHANGES MADE BY SAS NO. 149 73

SAS 148 76

SAS 147 76

SAS 146 76

SAS 145 77

REQUIREMENTS OF SAS 145 78

Professional skepticism in performing risk assessment procedures 80

SAS 144 81

SAS 143 81

SAS 142 82

SAS 141 82

Summary of Clarity Project and Statements on Auditing Standards 83

Currently Effective SAS Pronouncements 84

Key considerations Form and content of the auditor’s report 89

TAB 4: ACCOUNTING CHALLENGES FOR 2025 93

BANKRUPTCY FILINGS INCREASE IN 2025 VERSUS 2024 93

Specifics 93

Factors Contributing to the Increase 93

Overall Trend 93

AUDITING IN 2025 AND 2024 94

OTHER ITEMS OF INTEREST 101

TAB 5: Nonprofit Update 2025 109

Keeping Up With New FASB Standards for Nonprofit Organizations 109

Financial Statements Used by Nonprofits 109

Brand New Rules for Crypto that apply to Both For and Non Profit Entities 110

Nonprofit FASB Changes to Gifts-In-Kind Rules – (FASB ASU 2020-07) 111

Accounting Standards Update 2021-03—Intangibles 111

Updates on Nonprofits 112

Restricted and Unrestricted Net Assets 112

Financial Statement Presentation-Net Assets with Restrictions 113

Liquidity Disclosures 114

Presentation of Expenses 115

FASB Accounting Standards Update No. 2019-03 116

Background and Provisions 116

Effective Dates 117

Illustrative Letters and Reports 118

Audit Engagement Letter 118

Management Representation Letter 123

Unmodified Report—Nonprofit Organization 126

INDEPENDENT AUDITOR'S REPORT 126

Engagement Letter—Review and Preparation Services 128

Illustrative Representation Letter—Review Engagement 132

Review, Standard Report—After the Implementation of SSARS No. 25 136

INDEPENDENT ACCOUNTANT'S REVIEW REPORT 136

Engagement Letter—Compilation, Bookkeeping, and FSP Services 138

TAB 6: FRAUD 2025 143

B.F, Borgers CPA P.C. 143

Fraud in Nonprofit Entities 144

Internal Fraud 144

Common Schemes 144

Recognizing Red Flags 144

Methods of Detection 145

External Fraud 145

Common Schemes 145

Vulnerabilities and Trends 145

Detection 145

Practical Strategies 146

Internal Controls 146

Telecommunications Company Charged with Massive Accounting Fraud Scheme 146

Artificial Intelligence (AI) – Popular with Fraudsters 147

The Shortage of Accounting Professionals is Approaching a Crisis 148

Several Other Interesting Accounting Scandals Cloopen Group Holding Company 149

Problems Abound at PWC in Australia – Tax Leak Scandal 150

Cost Overruns were not a problem for Austal USA LLC 151

Roadrunner Transportation Systems, Inc. gets a speeding ticket 151

Summary 152

TYPES OF OCCUPATIONAL FRAUD AND ABUSE 153

HOW ANALYTICAL PROCEDURES CAN HELP 154

COMMITS FINANCIAL STATEMENT FRAUD? 155

Why Do People Commit Financial Statement Fraud? 155

How Do People Commit Financial Statement Fraud? 157

Is AI the Solution to Financial Statement Fraud? 158

TAB 7: Quality Control and Peer Review 161

CHANGES TO QUALITY CONTROL ARE COMING 161

SUMMARY & HIGHLIGHTS-QUALITY CONTROL STANDARDS No.8 162

AN ANALYSIS AND EXPLANATION OF SQCS No. 8 163

SYSTEM OF QUALITY CONTROL DOCUMENT FOR A SOLE PRACTITIONER 169

AICPA Noted Most Prevalent Peer Review Quality Control Deficiencies 182

TYPES OF PEER REVIEWS 183

Letter: Report on the Firm’s System of Quality Control 188

TAB 8: SSARS NO. 26 AND 27 189

SSARS NO. 26 – The Most Recent SSARS Pronouncement 189

Overview, Objectives and Summary 189

Background for SSARS 26 190

Details of each of the Quality Management Standards 191

Why Quality Control is so Important for any Attestation Engagements 193

Overall Responsibility for Managing Quality on SSARSs Engagements 195

Engagement Resources 195

When do These Requirements Commence? 196

Changes Made by SSARS NO. 26 TO AR-C 60 OF SSARS NO. 21 196

Changes Made to AR-C 60-Quality Management of a SSARS Engagement 197

SSARS NO. 26 203

AMENDMENTS TO AR-C 70 - PREPARATION OF FINANCIAL STATEMENTS 203

SSARS NO. 26 AMENDMENTS TO AR-C 80 - COMPILATION ENGAGEMENTS 204

SSARS NO. 26 AMENDMENTS TO AR-C 90 204

SSARS NO. 26 AMENDMENT TO AR-C 90 - Financial Stmt Engmt. Letter 205

SSARS NO. 27 - CLARIFICATION OF APPLICABILIITY OF AR-C SECTION 70 206

TAB 9: SSARS 25 207

STATEMENT ON ACCOUNTING AND REVIEW STANDARD 25 207

SSARS No. 25 amends SSARS No. 21 207

Major Provisions of SSARS 25 208

Materiality 211

Determining Materiality 211

EXAMPLE: TOTAL REVENUE Determining Overall Materiality 214

DETERMINING PERFORMANCE MATERIALITY 214

TAB 10: Reviews 217

Current through SSARS 25 as of April 1, 2025 217

Introduction 217

Compare: Financial Stmt Prep, Compilation, Review, and Audit Engagements 218

Before the Rules: How Do You Begin a Review 219

Before we go Further-The Definitions 220

The 10 REQUIREMENTS FOR A REVIEW 224

Performance of Reviews-Overview 226

Detailed analysis of Performance Rules 227

Analytical Procedures (ARP) 233

Information Sources for ARP 235

10 Suggested Steps of Analytical Review Procedures 237

THE FIVE STEP APPROACH TO ANALYTICAL REVIEW PROCEDURES 237

Ratio Analysis Summary 240

Inquiry 241

Reading the Financial Statements 243

Reconciling the Financial Statements to the Underlying Records 243

Management Representation Letter 244

Reporting 246

SSARS 25 Standard GAAP Review Report at AR-C. A147 249

MODIFICATIONS to the STANDARD REPORT 249

Example Acceptable Financial Statement Titles From AR-C 90.A126 250

Required Additional Paragraphs 251

Example Basis for Qualified Conclusion 254

Basis for Adverse Conclusion 254

Example Going Concern Paragraph When Adequately Disclosed 256

Example paragraphs 258

Required Documentation for a Review 259

Review Procedures Final Checklist 262

Appendix-Financial Statement Analysis 263

Financial Statement Analysis Tools 263

Common Sizing-How is it Performed and What Does it Mean? 267

Balance Sheet 268

Income Statement 269

Ratio Analysis Computation & Interpretation 270

Regression Analysis – The Altman Z Score 273

TAB 11: Review Engagement and Management Letters 275

Reviewed GAAP One Year Financial Statement Engagement Letter 275

Reviewed GAAP Comparative Years Financial Statement Engagement Letter 280

Reviewed TAX Comparative Years Financial Statement Engagement Letter 285

Example Engagement Letter-Standard Agreed-Upon Procedures Engagement 290

MANAGEMENT REPRESENTATION LETTER FOR A REVIEW ENGAGEMENT 292

TAB 12: Internal Controls 295

The Best Defense in Protecting Assets 295

Case Study — Candle Salesman, Inc. 295

Techniques to help Prevent and Detect Fraud 297

Cash Account Internal Controls Include but are not limited to: 297

Accounts Receivable Internal Controls 299

Inventory and Internal Controls 301

Frauds in Purchasing 305

Fixed Asset Fraud Prevention 307

Payroll Fraud and Prevention 308

Personal Expense Reimbursement Fraud 309

Revenue Recognition Controls 310

Cash Payments to Customers 311

Long-Term Construction Contracts 312

Current Liabilities 314

Contingencies 315

Notes and Bonds 315

Accounting for Leases—Lessee 316

Lease Terminations 316

Retained Earnings 316

Translation of Foreign Currency Financial Statements 316

SAMPLE CHARTS EFFECTUATING SEGREGATION OF DUTIES 317

Two-Person Office 317

Three-Person Office 318

Four-Person Office 318