

Plain Paper Statements: Did We Create a New Expectations Gap?

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Standards for Accounting and Review Services (SSARS) Number (No.) 1, “Compilations and Review Services,” (AICPA 1979) provides guidance for public accountants associated with unaudited financial statements through compilations and reviews. SSARS No. 8, “Amendment to SSARS No. 1, Compilation and Review of Financial Statements,” (2000) extends this guidance to *plain paper statements*. Unlike traditional compilations, plain paper statements are intended only for the use of informed members of management.

To examine the effects of SSARS No. 8, we surveyed practicing CPAs and sophisticated financial statement users (bankers) to measure their perceptions of what constitute “submitted financial statements,” “third parties,” “informed members of management” and other concerns described in SSARS No. 8 comment letters. We find that CPAs, even those somewhat familiar with SSARS No. 8, and bankers do not fully understand the definitions and applications of SSARS No. 8. In addition, several of the concerns cited in the statement’s Exposure Draft comment letters linger. The results suggest the need for more education to increase the effectiveness of SSARS No. 8. We also identify future research questions.
