

## Chapter 12 Outline

Role of the Independent Certified Public Accountant  
Audit Service  
    Purpose of an Audit  
    Scope of an Audit  
    Auditor's Report  
Review Service  
    Purpose of a Review  
    Scope of a Review  
    Review Report  
Compilation Services  
    Purpose of a Compilation  
    Scope of a Compilation  
    Compilation Report  
Consolidated Financial Statements  
    Minority Interest  
    Purpose of Consolidated Financial Statements  
    Intercompany Transactions  
    Investment in Subsidiary Account  
    Consolidated Worksheet  
Governmental Authority on Reporting by Public Companies  
    The SEC  
    The Sarbanes-Oxley Act of 2002  
    The 10-K Report  
Annual Report to Shareholders  
    Letter to the Shareholders  
    Financial Statements  
    Notes to the Financial Statements  
    Management Assessment of Internal Controls  
    Report of Independent Public Accountants  
    Certification of the Annual Report by Company Executives  
    How to Read an Annual Report  
    Financial Statements in an Annual Report  
    Conclusion of an Annual Report  
Investor Relations Department

## Competencies

1. Summarize the role of and criteria for an independent certified accountant. (pp. 329–330)
2. Explain the purpose and scope of an audit, and describe an auditor's report. (pp. 330–332)
3. Explain the purpose and scope of a review, and describe a review report. (pp. 332–334)
4. Explain the purpose and scope of a compilation, and describe a compilation report. (pp. 334–335)
5. Describe the purpose and preparation of consolidated financial statements. (pp. 335–338)
6. Summarize the federal government's authority regarding reporting by public companies, and discuss the SEC, the Sarbanes-Oxley Act, and the 10-K report. (pp. 338–341)
7. List and describe the major components of the annual report to shareholders and explain its purpose. (pp. 341–346)