

EXHIBIT
Illustration of SSARS 10 Documentation Requirement

Review engagement scenario: An accountant is engaged to review the financial statements of a major-league baseball team. After a very successful season in 2003, the team traded several key players, to reduce the obligations under contract for the 2004 season. Consequently, the team finished the 2004 season with a losing record and experienced a decline in attendance. Thus, the accountant expects revenues from ticket sales and concessions to decrease during the year. Based on her knowledge of the client, the client's business, and the client's industry, the accountant expects a 12% to 16% decrease in revenue from ticket sales and concessions during 2004. Furthermore, the accountant concludes that the cost of concessions should decrease proportionately with the decrease in concession revenues. There were no changes in the front-office personnel; consequently, the only changes expected in management salaries are due to annual pay raises.

Expectations: The following factors should affect the financial changes between 2003 and 2004:

- The team's losing record in 2004, following a very successful 2003 season, should result in a decrease in attendance. There is an expected decrease in ticket sales of between 12% and 16%. The team's declining popularity is also expected to result in a similar decline in media revenue.
- Because of the decrease in attendance in 2004, there is an expected decrease in stadium concession sales, as well as a decrease in their cost, of between 12% and 16%.
- There were no changes in the front-office personnel during the year. Historically, the front-office personnel receive annual pay raises ranging from 5% to 9%.
- During 2004, the team had to borrow additional funds to renovate the stadium skyboxes. Consequently, loans payable are expected to increase 25% to 30%.
- The overall decline in revenue and the modernization of the billing process should result in a decline in the ratio of days sales in accounts receivable (i.e., the average collection period). The decline is expected to range from 10% to 13%.

The following analyses were prepared using balance sheets and income statements from 2004, 2003, and 2002.

Trend Analysis	2004	2003	Change	Percent Change
Ticket sales	\$ 7,945,344	\$ 9,504,000	\$ (1,558,656)	(16.40)%
Media revenue	\$ 9,845,935	\$10,436,691	\$ (590,756)	(5.90)%
Stadium sales (concessions)	\$ 2,898,745	\$ 3,455,000	\$ (556,255)	(16.10)%
Total revenue	<u>\$20,690,024</u>	<u>\$23,395,691</u>		
Costs and expenses:				
Management salaries	\$ 550,000	\$ 508,750	\$ 41,250	7.50%
Cost of concessions	\$ 640,240	\$ 755,000	\$ (114,760)	(15.20)%

The 16.4% and 16.1% declines in ticket sales and stadium sales, respectively, are within the range of expected decreases noted above; however, the 5.9% decline in media revenue was less than expected. Because this is not consistent with the expectation, the accountant should inquire of the client and document the reason for this unexpected finding. The 7.5% increase in management salaries and the 15.2% decline in the cost of concessions are both within the expected range.

Ratio Analysis	2004	2003	2002
Accounts receivable, net	\$3,538,737	\$4,461,151	\$4,099,132
Loans payable	\$8,305,783	\$6,499,048	\$6,601,735
Days sales in receivables*	62.4	69.6	67.1

*End of year accounts receivable, net/(net sales/365)

The 27.8% increase in loans payable and the decrease of 7.2 days sales in receivables (10.3%) both fall within the expected range.

In this case, the results of the analytics were generally consistent with the accountant's expectations, except for the change in media revenue. If the results of analytical procedures are inconsistent with the accountant's expectations, then the accountant is required to document any additional procedures performed, and the related results of those procedures. In this case, for example, the accountant should document the results of additional inquiries of the client to explain the unexpected finding related to media revenue.