

TIS Section 8700, *Subsequent Events*

.02 Auditor Responsibilities for Subsequent Events

Inquiry—FASB ASC 855-10-50-1 states, “An entity shall disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued.” How does the entity’s responsibility to disclose the date through which subsequent events have been evaluated affect the auditor’s responsibilities for subsequent events?

Reply—FASB ASC 855 does not change the auditor’s responsibilities under AU section 560, which requires the auditor to perform subsequent event procedures through the audit report date.¹ Because the auditor’s report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion,² the auditor’s report date can never be earlier than management’s subsequent event note date. Because the auditor is concerned with events occurring through the date of his or her report that may require adjustment to, or disclosure in, the financial statements, the specific management representations relating to information concerning subsequent events should be made as of the date of the auditor’s report.³ In most cases, this will result in the date that management discloses as the date through which they have evaluated subsequent events being the same date as the auditor’s report. In order to coordinate that these dates (note date, representation letter date, and auditor report date) are the same, the auditor may want to discuss these dating requirements with management in advance of beginning the audit and may also want to include, in the auditor’s written understanding with the client regarding the terms of the engagement (engagement letter), that management will not date the subsequent event note earlier than the date of their management representation letter (also the date of the auditor’s report).

¹ See paragraph .10 of AU section 560, *Subsequent Events* (AICPA, *Professional Standards*, vol. 1).

² See paragraph .01 of AU section 530, *Dating of the Independent Auditor’s Report* (AICPA, *Professional Standards*, vol. 1).

³ See paragraph .09 of AU section 333, *Management Representations* (AICPA, *Professional Standards*, vol. 1).



Copyright © 2009
American Institute of Certified Public Accountants, Inc.
New York, NY 10036-8775

All rights reserved. For information about the procedure for requesting permission to make copies of any part of this work, please visit www.copyright.com or call (978) 750-8400.