

April 15, 2008

Mr. James Sylph
Executive Director, Professional Standards
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Re: Exposure Draft: *Proposed Redrafted International Standard on Auditing (ISA) 710 (Redrafted), Comparative Information – Corresponding Figures and Comparative Financial Statements*

Dear Mr. Sylph:

The American Institute of Certified Public Accountants is pleased to comment on the above referenced exposure draft. We commend the International Auditing and Assurance Standards Board on its proposed redrafting of International Standard on Auditing (ISA) 710. We believe that the objective for the Proposed ISA is appropriate, and that the proposed requirements are appropriate responses to that objective.

Request for Specific Comments

We agree with the IAASB that the auditor's procedures with respect to corresponding figures and comparative financial statements are essentially the same. We support the IAASB's clarification of this matter and agree with the structure of the proposed ISA.

Other Comments

Our editorial comments and recommendations are included in the accompanying appendix.

Thank you for the opportunity to comment on this exposure draft. If you have any questions regarding the comments in this letter, please contact Sharon Walker at +1-212-596-6026, swalker@aicpa.org.

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Respectfully submitted,

/s/ Harold Monk, Jr.
Chair, Auditing Standards Board

Appendix

We offer the following editorial comments for your consideration. Suggested new language is shown in boldface; suggested deleted language is shown by strikethrough.

Paragraph 2(a) – Paragraph 2(a) states, “for corresponding figures, the auditor’s report refers only to the financial statements of the current period and does not separately identify the corresponding figures.” However, paragraph 9 indicates that there are certain exceptions. We recommend that paragraph 2(a) be amended accordingly.

Paragraph 4 – ISA 710 is included in the reporting series however the objective of the proposed ISA does not address reporting implications of the different comparative information models, which are a key aspect of the proposed ISA. We suggest the following alternative objective, “The objective of the auditor is to obtain sufficient appropriate audit evidence about whether the comparative information included in the financial statements complies with the applicable financial reporting framework and to report in accordance with the auditor’s findings using the approach to comparative information required in the circumstances.”

Paragraph 5(a) – For consistency, we recommend changing “previous” in the second line to “prior.”

Paragraph 5(b) – We believe that the language in extant ISA 710, paragraph 3(a), is clearer and easier to understand than paragraph 5(b) of the proposed ISA. The third sentence of paragraph 5(b) is not clear. We recommend that it either be clarified or deleted.

Paragraph 5(c) – We suggest deleting the second sentence. It is clear from the first sentence that comparative financial statements are separate financial statements.

Paragraph 9 – “Corresponding information” is defined as comparative information. Accordingly, it is not necessary to include in the lead-in to this paragraph “when the comparative information is presented as corresponding figures.” We suggest the following change:

When ~~the comparative information is presented as corresponding figures~~
are presented...

Paragraph 14 – “Comparative financial statements” is defined as comparative information. Accordingly, it is not necessary to include in the lead-in to this paragraph “when the comparative information is presented as comparative financial statements.” We suggest the following change:

When ~~the comparative information is presented~~ comparative financial statements **are presented**...

Paragraph 16 – We suggest moving the last phrase to the lead-in to the paragraph:

If the financial statements of the prior period were audited by a predecessor auditor, **and the predecessor auditor’s report is not reissued with the financial statements**, in addition to expressing an opinion on the current period’s financial statements,...

Paragraph A1 – We recommend the following editorial change. We also recommend splitting paragraph A1 into two paragraphs:

In the case of comparative financial statements, ~~the~~ written representations are **requested** for all periods referred to in the auditor’s report because management needs to reaffirm that the written representations it previously made with respect to the prior period remain appropriate.

In the case of corresponding figures, ~~the~~ written representations are **requested** for the financial statements of the current period only because ~~the auditor’s opinion is on those financial statements, which include the corresponding figures~~ **are an integral part of the current period financial statements**. The auditor may, however, ~~determine that it is necessary to obtain~~ **request** a written representations regarding any amendments made to resolve a material misstatement in the prior period financial statements.

Paragraph A3 – We recommend using the phrase “presented or disclosed” in place of “dealt with.”

Paragraph A7 – The placement in the auditor’s report of this optional paragraph is not clear. We recommend that the ISA clearly state where in the auditor’s report this paragraph would be included.

We also suggest that the following additional optional language be included in paragraph A7, “We were not engaged to audit, review, or apply any procedures to the 20X1 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of

assurance on the 20X1 financial statements taken as a whole.”¹ We believe this language provides important clarification about the respective roles of the predecessor and successor auditor.

Appendix, Examples A and D – In the “Basis for Qualified Opinion” paragraph we recommend replacing the language “...which practice, in our opinion, is not in accordance with International Financial Reporting Standards” with language that is similar to that used in proposed ISA 705 (Revised and Redrafted), *Modifications to the Opinion in the Independent Auditor’s Report*. Proposed ISA 705 uses the language “... which constitutes a departure from International Financial Reporting Standards.”

Appendix, Example D – In the fourth bullet, to avoid confusion with corresponding figures, we recommend changing “current period’s figures” to “current period’s financial statements.”

Appendix, Examples E – The “Basis for Qualified Opinion” paragraph refers to a “disagreement.” Proposed ISA 705 requires the auditor to issue a qualified opinion when the auditor concludes that misstatements, either individually or in the aggregate, are material, but not pervasive, to the financial statements. Accordingly, to be consistent with proposed ISA 705 we recommend changing “disagreement” to “misstatement” in the first sentence.

¹ PCAOB staff Q&As for reporting in such circumstances - see Q&A #5 at the following link:http://www.pcaob.org/Standards/Staff_Questions_and_Answers/2006/QA_Adjustments.pdf