AU Section 333

Management Representations

(Supersedes SAS No. 19.)

Source: SAS No. 85; SAS No. 89; SAS No. 99; SAS No. 113.

See section 9333 for interpretations of this section.

Effective for audits of financial statements for periods ending on or after June 30, 1998, unless otherwise indicated.

Introduction

.01 This section establishes a requirement that the independent auditor obtain written representations from management as a part of an audit of financial statements performed in accordance with generally accepted auditing standards and provides guidance concerning the representations to be obtained.

Reliance on Management Representations

.02 During an audit, management makes many representations to the auditor, both oral and written, in response to specific inquiries or through the financial statements. Such representations from management are part of the audit evidence the independent auditor obtains, but they are not a substitute for the application of those auditing procedures necessary to afford a reasonable basis for an opinion regarding the financial statements under audit. Written representations from management ordinarily confirm representations explicitly or implicitly given to the auditor, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations. [Revised, March 2006, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 105.]

.03 The auditor obtains written representations from management to complement other auditing procedures. In many cases, the auditor applies auditing procedures specifically designed to obtain audit evidence concerning matters that also are the subject of written representations. For example, after the auditor performs the procedures prescribed in section 334, Related Parties, even if the results of those procedures indicate that transactions with related parties have been properly disclosed, the auditor should obtain a written representation to document that management has no knowledge of any such transactions that have not been properly disclosed. In some circumstances, audit evidence that can be obtained by the application of auditing procedures other than inquiry is limited; therefore, the auditor obtains written representations to provide additional audit evidence. For example, if an entity plans to discontinue a line of business and the auditor is not able to obtain sufficient information through other auditing procedures to corroborate the plan or intent,

---

1 Section 230, Due Professional Care in the Performance of Work, states, "The auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest."
the auditor obtains a written representation to provide evidence of management's intent. [Revised, March 2006, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 105.]

.04 If a representation made by management is contradicted by other audit evidence, the auditor should investigate the circumstances and consider the reliability of the representation made. Based on the circumstances, the auditor should consider whether his or her reliance on management's representations relating to other aspects of the financial statements is appropriate and justified.

Obtaining Written Representations

.05 Written representations from management should be obtained for all financial statements and periods covered by the auditor's report. For example, if comparative financial statements are reported on, the written representations obtained at the completion of the most recent audit should address all periods being reported on. The specific written representations obtained by the auditor will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements.

.06 In connection with an audit of financial statements presented in accordance with generally accepted accounting principles, specific representations should relate to the following matters:

Financial Statements

a. Management's acknowledgment of its responsibility for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

b. Management's belief that the financial statements are fairly presented in conformity with generally accepted accounting principles.

Completeness of Information

c. Availability of all financial records and related data.

d. Completeness and availability of all minutes of meetings of stockholders, directors, and committees of directors.

e. Communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

f. Absence of unrecorded transactions.

Recognition, Measurement, and Disclosure

g. Management's belief that the effects of any uncorrected financial statement misstatements aggregated by the auditor during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements.

---

2 An illustrative representation letter from management is contained in paragraph .16 of appendix A, "Illustrative Management Representation Letter".

3 Specific representations also are applicable to financial statements presented in conformity with a comprehensive basis of accounting other than generally accepted accounting principles. The specific representations to be obtained should be based on the nature and basis of presentation of the financial statements being audited.

4 Paragraph .07 of section 312, Audit Risk and Materiality in Conducting an Audit, states that a misstatement can result from errors or fraud, and provides guidance for the auditor's evaluation of audit findings (paragraphs 50-61 of section 312). [Footnote added, effective for audits of financial statements for periods beginning on or after December 15, 1999, by Statement on Auditing Standards No. 89.]
taken as a whole.5 (A summary of such items should be included in or attached to the letter.)6, 7

h. Management’s acknowledgment of its responsibility for the design and implementation of programs and controls to prevent and detect fraud.

i. Knowledge of fraud or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, or (3) others where the fraud could have a material effect on the financial statements.[8]

j. Knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

k. Plans or intentions that may affect the carrying value or classification of assets or liabilities.

l. Information concerning related-party transactions and amounts receivable from or payable to related parties.9

m. Guarantees, whether written or oral, under which the entity is contingently liable.

n. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, Risks and Uncertainties.

o. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.10

p. Unasserted claims or assessments that the entity’s lawyer has advised are probable of assertion and must be disclosed in accordance with FASB ASC 450, Contingencies.11

5 If management believes that certain of the identified items are not misstatements, management’s belief may be acknowledged by adding to the representation, for example, “We do not agree that items XX and XX constitute misstatements because [description of reasons].” [Footnote added, effective for audits of financial statements for periods beginning on or after December 15, 1999, by Statement on Auditing Standards No. 89.]

6 Paragraph .42 of section 312 states that the auditor may designate an amount below which misstatements need not be accumulated. Similarly, the summary of uncorrected misstatements included in or attached to the representation letter need not include such misstatements. The summary should include sufficient information to provide management with an understanding of the nature, amount, and effect of the uncorrected misstatements. Similar items may be aggregated. [Footnote added, effective for audits of financial statements for periods beginning on or after December 15, 1999, by Statement on Auditing Standards No. 89.]

7 The communication to management of immaterial misstatements aggregated by the auditor does not constitute a communication pursuant to paragraph .17 of section 317, Illegal Acts by Clients, Section 10A of the Securities Exchange Act of 1934, or paragraphs .38–.40 of section 316, Consideration of Fraud in a Financial Statement Audit. The auditor may have additional communication responsibilities pursuant to section 317, Section 10A of the Securities Exchange Act of 1934, or section 316. [Footnote added, effective for audits of financial statements for periods beginning on or after December 15, 1999, by Statement on Auditing Standards No. 89. Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]

8 [Footnote deleted by the issuance of Statement on Auditing Standards No. 99, October 2002.]

9 See section 334. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]

10 See section 317. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]

11 See paragraph .05 of section 337, Inquiry of a Client’s Lawyer Concerning Litigation, Claims, and Assessments. If the entity has not consulted a lawyer regarding litigation, claims, and (continued)
The representation letter ordinarily should be tailored to include additional appropriate representations from management relating to matters specific to the entity's business or industry. Examples of additional representations that may be appropriate are provided in paragraph .17 appendix B, "Additional Illustrative Representations."

Management’s representations may be limited to matters that are considered either individually or collectively material to the financial statements, provided management and the auditor have reached an understanding on materiality for this purpose. Materiality may be different for different representations. A discussion of materiality may be included explicitly in the representation letter, in either qualitative or quantitative terms. Materiality considerations would not apply to those representations that are not directly related to amounts included in the financial statements, for example, items (a), (c), (d), and (e) above. In addition, because of the possible effects of fraud on other aspects of the audit, materiality would not apply to item (h) above with respect to management or those employees who have significant roles in internal control.

The written representations should be addressed to the auditor. 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 representations should be made as of the date of the auditor's report. [If the auditor “dual dates” his or her report, the auditor should consider whether obtaining additional representations relating to the subsequent event is appropriate. See paragraph .05 of section 530, Dating of the Independent Auditor's Report.] The letter should be signed by those members of management

(footnote continued)

assessments, the auditor normally would rely on the review of internally available information and obtain a written representation by management regarding the lack of litigation, claims, and assessments; see auditing Interpretation No. 6, “Client Has Not Consulted a Lawyer” (paragraphs .15–17 of section 9337). [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]

12 See paragraph .05b of section 337. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]

13 See paragraph .12 of section 560, Subsequent Events; paragraph .10 of section 711, Filings Under Federal Securities Statutes; and paragraph .45, footnote 31 of section 634, Letters for Underwriters and Certain Other Requesting Parties. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]

14 Certain AICPA Audit Guides recommend that the auditor obtain written representations concerning matters that are unique to a particular industry. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]
with overall responsibility for financial and operating matters whom the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered by the representations. Such members of management normally include the chief executive officer and chief financial officer or others with equivalent positions in the entity. [As amended, effective for audits of financial statements for periods ending on or after December 15, 2006, by Statement on Auditing Standards No. 113.]

.10 If current management was not present during all periods covered by the auditor's report, the auditor should nevertheless obtain written representations from current management on all such periods. The specific written representations obtained by the auditor will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. As discussed in paragraph .08, management's representations may be limited to matters that are considered either individually or collectively material to the financial statements.

.11 In certain circumstances, the auditor may want to obtain written representations from other individuals. For example, he or she may want to obtain written representations about the completeness of the minutes of the meetings of stockholders, directors, and committees of directors from the person responsible for keeping such minutes. Also, if the independent auditor performs an audit of the financial statements of a subsidiary but does not audit those of the parent company, he or she may want to obtain representations from management of the parent company concerning matters that may affect the subsidiary, such as related-party transactions or the parent company's intention to provide continuing financial support to the subsidiary.

.12 There are circumstances in which an auditor should obtain updating representation letters from management. If a predecessor auditor is requested by a former client to reissue (or consent to the reuse of) his or her report on the financial statements of a prior period, and those financial statements are to be presented on a comparative basis with audited financial statements of a subsequent period, the predecessor auditor should obtain an updating representation letter from the management of the former client.15 Also, when performing subsequent events procedures in connection with filings under the Securities Act of 1933, the auditor should obtain certain written representations.16 The updating management representation letter should state (a) whether any information has come to management's attention that would cause them to believe that any of the previous representations should be modified, and (b) whether any events have occurred subsequent to the balance-sheet date of the latest financial statements reported on by the auditor that would require adjustment to or disclosure in those financial statements.17

Scope Limitations

.13 Management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified opinion and is ordinarily sufficient to cause an auditor to disclaim an opinion

---

15 See paragraph .71 of section 508, Reports on Audited Financial Statements. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]

16 See paragraph .10 of section 711. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]

17 An illustrative updating management representation letter is contained in paragraph .18 of appendix C, "Illustrative Updating Management Representation Letter." [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]
or withdraw from the engagement.\textsuperscript{18} However, based on the nature of the representations not obtained or the circumstances of the refusal, the auditor may conclude that a qualified opinion is appropriate. Further, the auditor should consider the effects of the refusal on his or her ability to rely on other management representations.

\textsuperscript{14} If the auditor is precluded from performing procedures he or she considers necessary in the circumstances with respect to a matter that is material to the financial statements, even though management has given representations concerning the matter, there is a limitation on the scope of the audit, and the auditor should qualify his or her opinion or disclaim an opinion.

**Effective Date**

\textsuperscript{15} This section is effective for audits of financial statements for periods ending on or after June 30, 1998. Earlier application is permitted.

\textsuperscript{18} See paragraphs .22–.34 of section 508. [Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999.]
Appendix A

Illustrative Management Representation Letter

1. The following letter, which relates to an audit of financial statements prepared in conformity with generally accepted accounting principles, is presented for illustrative purposes only. The introductory paragraph should specify the financial statements and periods covered by the auditor's report, for example, "balance sheets of XYZ Company as of December 31, 19X1 and 19X0, and the related statements of income and retained earnings and cash flows for the years then ended." The written representations to be obtained should be based on the circumstances of the engagement and the nature and basis of presentation of the financial statements being audited. (See paragraph .17 of appendix B.)

2. If matters exist that should be disclosed to the auditor, they should be indicated by modifying the related representation. For example, if an event subsequent to the date of the balance sheet has been disclosed in the financial statements, the final paragraph could be modified as follows: "To the best of our knowledge and belief, except as discussed in Note X to the financial statements, no events have occurred...." In appropriate circumstances, item 9 could be modified as follows: "The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for its plans to dispose of segment A, as disclosed in Note X to the financial statements, which are discussed in the minutes of the December 7, 20X1, meeting of the board of directors." Similarly, if management has received a communication regarding an allegation of fraud or suspected fraud, item 8 could be modified as follows: "Except for the allegation discussed in the minutes of the December 7, 20X1, meeting of the board of directors (or disclosed to you at our meeting on October 15, 20X1), we have no knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, analysts, regulators, short sellers, or others."

3. The qualitative discussion of materiality used in the illustrative letter is adapted from FASB Statement of Financial Accounting Concepts No. 2, Qualitative Characteristics of Accounting Information.

4. Certain terms are used in the illustrative letter that are described elsewhere in authoritative literature. Examples are fraud, in section 316, and related parties, in section 334 footnote 1. To avoid misunderstanding concerning the meaning of such terms, the auditor may wish to furnish those definitions to management or request that the definitions be included in the written representations.

5. The illustrative letter assumes that management and the auditor have reached an understanding on the limits of materiality for purposes of the written representations. However, it should be noted that a materiality limit would not apply for certain representations, as explained in paragraph .08 of this section.

6.

[Date]

To [Independent Auditor]

We are providing this letter in connection with your audit(s) of the [identification of financial statements] of [name of entity] as of [dates] and for the [periods] for the purpose of expressing an opinion as to whether the [consolidated] financial statements present fairly, in all material respects, the financial position,
results of operations, and cash flows of [name of entity] in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the [consolidated] financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, [as of (date of auditor’s report)], the following representations made to you during your audit(s).

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.

2. We have made available to you all—
   a. Financial records and related data.
   b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

5. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.¹

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving—
   a. Management,
   b. Employees who have significant roles in internal control, or
   c. Others where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

9. The company has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

10. The following have been properly recorded or disclosed in the financial statements:
    a. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

¹ If management believes that certain of the identified items are not misstatements, management’s belief may be acknowledged by adding to the representation, for example, "We do not agree that items XX and XX constitute misstatements because [description of reasons]." [Footnote added effective for audits of financial statements for periods beginning on or after December 15, 1999, by Statement on Auditing Standards No. 89.]
b. Guarantees, whether written or oral, under which the company is contingently liable.

c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, Risks and Uncertainties. [Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.]

11. There are no—

a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, Contingencies. 2

c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450.

12. The company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

13. The company has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

[Add additional representations that are unique to the entity's business or industry. See paragraph .07 and appendix B, paragraph .17 of this section.]

To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

____________________________________________________________________

[Name of Chief Executive Officer and Title]

____________________________________________________________________

[Name of Chief Financial Officer and Title]

[As amended, effective for audits of financial statements for periods beginning on or after December 15, 1999 by Statement on Auditing Standards No. 89. As amended, effective for audits of financial statements for periods beginning on or after December 15, 2002, by Statement on Auditing Standards No. 99. Revised, June 2009, to reflect conforming changes necessary due to the issuance of FASB ASC.]

2 In the circumstance discussed in footnote 11 of this section, this representation might be worded as follows:

We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification 450, Contingencies, and we have not consulted a lawyer concerning litigation, claims, or assessments.

[Footnote renumbered by the issuance of Statement on Auditing Standards No. 89, December 1999. Footnote revised, June 2009, to reflect conforming changes necessary due to the issuance of FASB ASC.]
Appendix B

Additional Illustrative Representations

1. As discussed in paragraph .07 of this section, representation letters ordinarily should be tailored to include additional appropriate representations from management relating to matters specific to the entity's business or industry. The auditor also should be aware that certain AICPA Audit Guides recommend that the auditor obtain written representations concerning matters that are unique to a particular industry. The following is a list of additional representations that may be appropriate in certain situations. This list is not intended to be all-inclusive. The auditor also should consider the effects of pronouncements issued subsequent to the issuance of this section.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited interim information accompanies the financial statements.</td>
<td>The unaudited interim financial information accompanying [presented in Note X to] the financial statements for the [identify all related periods] has been prepared and presented in conformity with generally accepted accounting principles applicable to interim financial information [and with Item 302(a) of Regulation S-K]. The accounting principles used to prepare the unaudited interim financial information are consistent with those used to prepare the audited financial statements.</td>
</tr>
<tr>
<td>The impact of a new accounting principle is not known.</td>
<td>We have not completed the process of evaluating the impact that will result from adopting the guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Update 20YY-XX, as discussed in Note [X]. The company is therefore unable to disclose the impact that adopting the guidance in FASB ASC Update 20YY-XX will have on its financial position and the results of operations when such guidance is adopted.</td>
</tr>
<tr>
<td>There is justification for a change in accounting principles.</td>
<td>We believe that [describe the newly adopted accounting principle] is preferable to [describe the former accounting principle] because [describe management’s justification for the change in accounting principles].</td>
</tr>
</tbody>
</table>
Management Representations

<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial circumstances are strained, with disclosure of management's intentions and the entity's ability to continue as a going concern.</td>
<td>Note [X] to the financial statements discloses all of the matters of which we are aware that are relevant to the company's ability to continue as a going concern, including significant conditions and events, and management's plans.</td>
</tr>
<tr>
<td>The possibility exists that the value of specific significant long-lived assets or certain identifiable intangibles may be impaired.</td>
<td>We have reviewed long-lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable and have appropriately recorded the adjustment.</td>
</tr>
<tr>
<td>The entity has a variable interest in another entity.</td>
<td>Variable interest entities (VIEs) and potential VIEs and transactions with VIEs and potential VIEs have been properly recorded and disclosed in the financial statements in accordance with US GAAP. We have considered both implicit and explicit variable interests in (a) determining whether potential VIEs should be considered VIEs, (b) calculating expected losses and residual returns, and (c) determining which party, if any, is the primary beneficiary. We have provided you with lists of all identified variable interests in (i) VIEs, (ii) potential VIEs that we considered but judged not to be VIEs, and (iii) entities that were afforded the scope exceptions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation. We have advised you of all transactions with identified VIEs, potential VIEs, or entities afforded the scope exceptions of FASB ASC 810. We have made available all relevant information about financial interests and contractual arrangements with related parties, de facto agents and other entities, including but not limited to, their governing documents, equity and debt instruments, contracts, leases, guarantee arrangements, and other financial contracts and arrangements.</td>
</tr>
</tbody>
</table>

(continued)
The Standards of Field Work

<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>The information we provided about financial interests and contractual</td>
<td>The work of a specialist has been used by the entity. We agree with the findings of specialists in evaluating the [describe assertion] and have adequately</td>
</tr>
<tr>
<td>arrangements with related parties, de facto agents and other entities</td>
<td>considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values</td>
</tr>
<tr>
<td>includes information about all transactions, unwritten understandings,</td>
<td></td>
</tr>
<tr>
<td>agreement modifications, and written and oral side agreements.</td>
<td></td>
</tr>
<tr>
<td>Our computations of expected losses and expected residual returns of</td>
<td></td>
</tr>
<tr>
<td>entities that are VIEs and potential VIEs are based on the best information</td>
<td></td>
</tr>
<tr>
<td>available and include all reasonably possible outcomes.</td>
<td></td>
</tr>
<tr>
<td>Regarding entities in which the Company has variable interests (implicit</td>
<td></td>
</tr>
<tr>
<td>and explicit), we have provided all information about events and changes</td>
<td></td>
</tr>
<tr>
<td>in circumstances that could potentially cause reconsideration about</td>
<td></td>
</tr>
<tr>
<td>whether the entities are VIEs or whether the Company is the primary</td>
<td></td>
</tr>
<tr>
<td>beneficiary or has a significant variable interest in the entity.</td>
<td></td>
</tr>
<tr>
<td>We have made and continue to make exhaustive efforts to obtain information</td>
<td></td>
</tr>
<tr>
<td>about entities in which the Company has an implicit or explicit interest</td>
<td></td>
</tr>
<tr>
<td>but that were excluded from complete analysis under FASB ASC 810 due to</td>
<td></td>
</tr>
<tr>
<td>lack of essential information to determine one or more of the following:</td>
<td></td>
</tr>
<tr>
<td>whether the entity is a VIE, whether the Company is the primary beneficiary,</td>
<td></td>
</tr>
<tr>
<td>or the accounting required to consolidate the entity.</td>
<td></td>
</tr>
</tbody>
</table>

AU §333.17
**Condition** | **Illustrative Example**
--- | ---

or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

### Assets

#### Cash

Disclosure is required of compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.

**Illustrative Example**

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

**Financial Instruments**

Management intends to and has the ability to hold to maturity debt securities classified as held-to-maturity.

**Illustrative Examples**

Debt securities that have been classified as held-to-maturity have been so classified due to the company’s intent to hold such securities to maturity and the company’s ability to do so. All other debt securities have been classified as available-for-sale or trading.

Management considers the decline in value of debt or equity securities to be temporary.

We consider the decline in value of debt or equity securities classified as either available-for-sale or held-to-maturity to be temporary.

Management has determined the fair value of significant financial instruments that do not have readily determinable market values.

The methods and significant assumptions used to determine fair values of financial instruments are as follows: [describe methods and significant assumptions used to determine fair values of financial instruments]. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:

1. The extent, nature, and terms of financial instruments with off-balance-sheet risk

(continued)
<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments</td>
<td>Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.</td>
</tr>
<tr>
<td>3. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments</td>
<td>Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.</td>
</tr>
</tbody>
</table>

**Receivables**

Receivables have been recorded in the financial statements.

**Inventories**

Excess or obsolete inventories exist.

**Investments**

There are unusual considerations involved in determining the application of equity accounting.

**Deferred Charges**

Material expenditures have been deferred.

[For investments in common stock that are either nonmarketable or of which the entity has a 20 percent or greater ownership interest, select the appropriate representation from the following:]

- The equity method is used to account for the company's investment in the common stock of [investee] because the company has the ability to exercise significant influence over the investee's operating and financial policies.

- The cost method is used to account for the company's investment in the common stock of [investee] because the company does not have the ability to exercise significant influence over the investee's operating and financial policies.

We believe that all material expenditures that have been deferred to future periods will be recoverable.
Deferred Tax Assets

A deferred tax asset exists at the balance-sheet date.

The valuation allowance has been determined pursuant to the provisions of Financial Accounting Standards Board Accounting Standards Codification 740, Income Taxes, including the company’s estimation of future taxable income, if necessary, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized. [Complete with appropriate wording detailing how the entity determined the valuation allowance against the deferred tax asset.]

or

A valuation allowance against deferred tax assets at the balance-sheet date is not considered necessary because it is more likely than not the deferred tax asset will be fully realized.

Liabilities

Debt

Short-term debt could be refinanced on a long-term basis and management intends to do so.

The company has excluded short-term obligations totaling $[amount] from current liabilities because it intends to refinance the obligations on a long-term basis. [Complete with appropriate wording detailing how amounts will be refinanced as follows:]

• The company has issued a long-term obligation [debt security] after the date of the balance sheet but prior to the issuance of the financial statements for the purpose of refinancing the short-term obligations on a long-term basis.

• The company has the ability to consummate the refinancing, by using the financing agreement referred to in Note [X] to the financial statements.

Tax-exempt bonds have been issued.

Tax-exempt bonds issued have retained their tax-exempt status.

(continued)
<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td>We intend to reinvest undisbuted earnings of [name of foreign subsidiary].</td>
</tr>
<tr>
<td>Management intends to reinvest undistributed earnings of a foreign subsidiary.</td>
<td></td>
</tr>
<tr>
<td><strong>Contingencies</strong></td>
<td>Provision has been made for any material loss that is probable from environmental remediation liabilities and related loss contingencies.</td>
</tr>
<tr>
<td>Estimates and disclosures have been made of environmental remediation liabilities and related loss contingencies.</td>
<td></td>
</tr>
<tr>
<td><strong>Agreements</strong></td>
<td>Agreements to repurchase assets previously sold have been properly disclosed.</td>
</tr>
<tr>
<td>Agreements may exist to repurchase assets previously sold.</td>
<td></td>
</tr>
<tr>
<td><strong>Pension and Postretirement Benefits</strong></td>
<td>We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.</td>
</tr>
<tr>
<td>An actuary has been used to measure pension liabilities and costs.</td>
<td></td>
</tr>
<tr>
<td><strong>Multiemployer Plan</strong></td>
<td>We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan.</td>
</tr>
<tr>
<td>There is involvement with a multiemployer plan.</td>
<td></td>
</tr>
<tr>
<td><strong>Postretirement Benefits</strong></td>
<td>We have determined that there is the possibility of a withdrawal liability in a multiemployer plan in the amount of $XX.</td>
</tr>
<tr>
<td>Postretirement benefits have been eliminated.</td>
<td></td>
</tr>
<tr>
<td><strong>Employee Layoffs</strong></td>
<td>We do not intend to compensate for the elimination of postretirement benefits by granting an increase in pension benefits.</td>
</tr>
<tr>
<td>Employee layoffs that would otherwise lead to a curtailment of a benefit plan are intended to be temporary.</td>
<td></td>
</tr>
</tbody>
</table>
Management intends to either continue to make or not make frequent amendments to its pension or other postretirement benefit plans, which may affect the amortization period of prior service cost, or has expressed a substantive commitment to increase benefit obligations.

We plan to continue to make frequent amendments to its pension or other postretirement benefit plans, which may affect the amortization period of prior service cost.

or

We do not plan to make frequent amendments to its pension or other postretirement benefit plans.

Equity

There are capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements.

Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements have been properly disclosed.

Income Statement

There may be a loss from sales commitments.

Provisions have been made for losses to be sustained in the fulfillment of or from inability to fulfill any sales commitments.

There may be losses from purchase commitments.

Provisions have been made for losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.

Nature of the product or industry indicates the possibility of undisclosed sales terms.

We have fully disclosed to you all sales terms, including all rights of return or price adjustments and all warranty provisions.

[Revised, April 2002, to reflect conforming changes necessary due to the issuance of recent guidance on special purpose entity transactions. Revised, January 2006, to reflect conforming changes necessary due to the issuance of FASB Interpretation No. 46 (revised 2003). Revised, June 2009, to reflect conforming changes necessary due to the issuance of FASB ASC.]
Appendix C

Illustrative Updating Management Representation Letter

1. The following letter is presented for illustrative purposes only. It may be used in the circumstances described in paragraph .12 of this section. Management need not repeat all of the representations made in the previous representation letter.

2. If matters exist that should be disclosed to the auditor, they should be indicated by listing them following the representation. For example, if an event subsequent to the date of the balance sheet has been disclosed in the financial statements, the final paragraph could be modified as follows: "To the best of our knowledge and belief, except as discussed in Note X to the financial statements, no events have occurred. . . ."

3.

[Date]
To [Auditor]

In connection with your audit(s) of the [identification of financial statements] of [name of entity] as of [dates] and for the [periods] for the purpose of expressing an opinion as to whether the [consolidated] financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of [name of entity] in conformity with accounting principles generally accepted in the United States of America, you were previously provided with a representation letter under date of [date of previous representation letter]. No information has come to our attention that would cause us to believe that any of those previous representations should be modified.

To the best of our knowledge and belief, no events have occurred subsequent to [date of latest balance sheet reported on by the auditor] and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

________________________________________
[Name of Chief Executive Officer and Title]

________________________________________
[Name of Chief Financial Officer and Title]

[Revised, October 2000, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 93.]