November 18, 2019

AICPA Auditing Standards Board
Attn: Ms. Sherry Hazel
Association of International Certified Professional Accountants

Submitted via email to Sherry.Hazel@aicpa-cima.com

Re: Proposed Statement on Auditing Standards, Auditing Accounting Estimates and Related Disclosures

Dear Ms. Hazel:

The Virginia Society of CPAs’ (VSCPA) Accounting & Auditing Advisory Committee (the Committee) has reviewed the proposed Exposure Draft, Auditing Accounting Estimates and Related Disclosures, issued by the AICPA Auditing Standards Board (the Board). The VSCPA is a leading professional association with more than 12,000 individual members dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism and advocating members’ interests. We appreciate the work the Board has undertaken on this effort and the opportunity to respond to this Exposure Draft.

In general, the Committee supports the Board’s objectives to enhance the auditing standards relating to auditing accounting estimates in a manner that will enable auditors to appropriately address the complexity of scenarios from new accounting standards that include estimates and related disclosures. Overall, we agree with the Board’s approach to enhance the auditor’s focus on factors driving the uncertainty of estimates and potential management bias. The specific responses to the issues for comment are as follows:

1. Given the approach by the Board to draft the proposed SAS using a framework-neutral approach, are there any instances in which the use of certain examples or terminology in the proposed SAS would result in a lack of clarity when applying the financial reporting frameworks commonly used in the United States (U.S. GAAP)?

   The VSCPA Committee agrees with the Board’s framework-neutral approach on drafting the SAS and does not identify any instances in which the use of certain examples or terminology in the proposed framework would result in lack of clarity in application.

2. Are paragraphs 2-9 of the proposed SAS helpful in describing the key concepts of the proposed SAS, and do they adequately explain the interplay between the proposed SAS?

   The Committee agrees that the information provided in paragraphs 2-9 of the proposed SAS is helpful in relation to the key concepts.
3. Do you agree with the approach to the proposed changes to AU-C section 501?

   The Committee agrees with the approach to the changes to AU-C section 501, specifically the removal of paragraphs .01-.10 because the requirements in those paragraphs, related to investments in derivative instruments and securities measured at fair value, were related to the performance of audit procedures rather than related to evaluating audit evidence.

4. Does the proposed effective date provide sufficient time for preparers, auditors, and others to adopt the new standard and related conforming amendments?

   The VSCPA Committee agrees that the effective date for audits of financial statements for periods ending on or after Dec. 15, 2022, is sufficient time for preparers, auditors and others to adopt the new standard.

Again, the VSCPA Committee appreciates the opportunity to respond to this Exposure Draft.

Sincerely,

Bo Garner, CPA, MBA
Chair

2018–19 VSCPA Accounting & Auditing Advisory Committee

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