October 28, 2019

By e-mail: Sharon.Macey@aicpa-cima.com

Hunter College Graduate Program
Economics Department
695 Park Ave.
New York, NY 10065

Ms. Sharon Macey
AICPA
1211 Ave of the Americas
New York, NY

Re: Proposed Statement on Auditing Standards
Amendments to AU-C Section 800, 805, and Section 810 To Incorporate Auditor Reporting Changes From SAS No. 134

Dear Ms. Macey:

The Advanced Auditing class (Eco 775) at Hunter College Graduate program in New York City appreciates the opportunity to comment on this exposure draft.

The class discussed the above proposed exposure draft and have attached our comments.

If you would like additional discussion with us, contact Professor Joseph A. Maffia, at 212-792-0404.

Sincerely,

[Signature]

Professor Joseph A. Maffia, CPA, CGMA
Proposed Statement on Auditing Standards
To Incorporate Auditor Reporting Changes From SAS No. 134
(Amends: AU-C Section 800, Special Considerations - Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks, AU-C Section 805, Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement, and Section 810, Engagements to Report on Summary Financial Statements)

October 15, 2019

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Professor Joseph A. Maffia, CPA
The Advanced Auditing Class has reviewed the above-referenced Exposure Draft and offers the following comments for consideration by the Auditing Standards Board. Please note that our comments can be separated into two main categories: overall general comments, changes in wording of certain passages.

GENERAL COMMENTS

Overall, we mainly agree with the exposure draft’s content changes for AUC 800, 805, and 810. Please see our specific comments below, which will help to eliminate (i) grammatical errors and (ii) redundant wording, in order to improve readability.

COMMENTS PERTAINING TO SPECIFIC WORDING

Amendments to SAS No. 122, AU-C Section 800, Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

- Paragraph .03 – this paragraph deleted text related to section 910, Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country – we suggest keeping this text as section 910 is still relevant to Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.

.03 Section 910, Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country, addresses circumstances in which an auditor practicing in the United States is engaged to report on financial statements that have been prepared in accordance with a financial reporting framework generally accepted in another country not adopted by a body designated by the Council of the AICPA (Council) to promulgate generally accepted accounting principles (GAAP) when such audited financial statements are intended for use outside the United States.

- In the Independent Auditor’s Report exhibit (page 32), remove the extraneous apostrophe in the following sentence.

“In performing an audit ‘in accordance with GAAS, we:”

- .A3.A2 Change “general purpose” to “general-purpose” There may be circumstances in which a regulatory or contractual basis of accounting is based on a general-purpose framework, such as U.S. GAAP, established by an authorized or recognized standard-setting organization or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires financial statements to be prepared in accordance with most, but not all, of U.S. GAAP. If the financial statements purport to be prepared in accordance with a general-purpose framework and such financial statements are materially misstated due to a departure from that framework, section 705 applies.

- .A21 Section 720 addresses the auditor’s responsibilities relating to other information in an entity’s annual report. In the context of this section, an annual report is a document or
combination of documents, the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial statements. The term similar stakeholders includes specific users whose financial information needs are met by the special purpose framework used to prepare the special purpose financial statements. When the auditor determines that the entity plans to issue an annual report, the requirements in section 720 apply to the audit of the special purpose financial statements.

- Page 26 – Illustration 1 — An Auditor’s Report on a Complete Set of Financial Statements Prepared in Accordance with the Cash Basis of Accounting


Amendments to SAS No. 122, AU-C Section 805, Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement

- AU-C sections 200–700 apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. AU-C section 805, Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement, addresses special considerations in the application of those AU-C sections to an audit of a single financial statement or of a specific element, account, or item of a financial statement. In May 2019, the Auditing Standards Board issued SAS No. 134, Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements, which updates the form and content of auditors’ reports on the financial statements of nonissuers to be more consistent with the standards of the International Auditing and Assurance Standards Board and recent updates to PCAOB standards. If issued as final, the proposed amendments in this exposure draft will amend AU-C section 805 to align with the relevant auditor reporting standards in SAS No. 134. It will also align AU-C section 805 by incorporating changes introduced by SAS No. 136, Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA.
Paragraph .06 (sub bullet b) – We like how this paragraph was shortened which eliminated redundancies. It contributes to more clarity.

.19 - If the auditor’s report on an entity’s complete set of financial statements includes a modified opinion, an emphasis-of-matter or other-matter paragraph, a going concern section, a communication of key audit matters, or a statement describing an uncorrected material misstatement of other information, the auditor should consider the implications, if any, of these matters, that these matters have for the audit of a specific element of, or a single financial statement or of the specific element of the financial statement and for the auditor’s report thereon. (Ref: Par. .A23-.A26)

[Noted that we have shortened the paragraph to eliminate redundancies.]

[The following subheading is inserted above paragraph .20.]

Modifications to the Opinion in the Independent Auditor’s Report

Modified Opinion, Adverse Opinion or Disclaimer of Opinion in the Auditor’s Report on the Entity’s Complete Set of Financial Statements

[No subheading is necessary above paragraph .21.]

Adverse Opinion or Disclaimer of Opinion in the Auditor’s Report on the Entity’s Complete Set of Financial Statements


AU-C section 810, Engagements to Report on Summary Financial Statements, * addresses the auditor’s responsibilities relating to an engagement to report separately on summary financial statements derived from financial statements audited in accordance with generally accepted auditing standards by the same auditor. In such an engagement, the auditor forms an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements from which they have been derived, in accordance with the applied criteria. In May 2019, the Auditing Standards Board issued Statement on Auditing Standards (SAS) No. 134, Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements, which updates the form and content of auditors’ reports on the financial statements of nonissuers to be more consistent with the standards of the International Auditing and Assurance Standards Board and recent updates to PCAOB standards. If issued as final, the proposed amendments in this exposure draft will amend AU-C section 810 to align with the relevant auditor reporting standards in SAS No. 134. It also will align AU-C section 810 by incorporating changes introduced by SAS No. 137, The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports.

.11 - The auditor should perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor’s opinion on the summary financial statements:
a. Evaluate whether the summary financial statements adequately disclose their summarized nature and identify the audited financial statements (Ref: par. .A9)

b. When the summary financial statements are not accompanied by the audited financial statements, evaluate

i. whether the summary financial statements clearly describe from whom or where the audited financial statements are available and

ii. whether the audited financial statements are readily available to the intended users of the summary financial statements. (Ref: par. .A7)

c. Evaluate whether the summary financial statements adequately disclose and are prepared in accordance with the applied criteria.

d. Compare the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial statements.

e. Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.

f. Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so that they are not misleading in the circumstances.

- Paragraph .15 – We like how this paragraph was revised for grammar mistakes to provide more clarity on specific procedures within the paragraph.

- Illustration 1 Page 65

Circumstances include the following:

The summary financial statements, which comprise the summary balance sheet as of December 31, 20X1, the summary income statement, summary statement of changes in stockholders’ equity, and summary cash flow statement for the year then ended, and the related notes, are derived from the audited financial statements of ABC Company as of and for the year ended December 31, 20X1. We expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 20X2.

- Illustration 3 on Page 67

Circumstances include both of all the following: