



California
Society
of Certified
Public
Accountants

May 20, 2009

Sherry Hazel
Audit and Attest Standards
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

RE: Exposure Draft of Proposed Statement on Auditing Standards
Evaluation of Misstatements Identified During the Audit

Dear Ms. Hazel:

The Accounting Principles and Auditing Standards Committee (The AP&AS "Committee") of the California Society of Certified Public Accountants ("CALCPA") is pleased to provide our comments to the Auditing Standards Board ("ASB") on the Exposure Draft ("ED").

The AP&AS Committee is the senior technical committee of CALCPA. CALCPA has approximately 32,000 members. The Committee is comprised of 50 members of whom 67 percent are from local or regional firms, 23 percent are sole practitioners in public practice, 5 percent are in industry and 5 percent are in academia.

1) Paragraph A22 states, in part: "Different acceptable approaches to the auditor's evaluation of such uncorrected misstatements on the current period's financial statements are available," The SEC, in Staff Accounting Bulletin No. 108 addresses this subject in detail, in referring to the use of the "iron curtain" and "rollover" approaches to evaluate misstatements. The Committee recommends the ASB consider whether relevant application guidance in SAB No. 108 ought to be incorporated in the proposed SAS, or referred to as a point of reference, as the Committee can see no theoretical reason why the evaluation of identified misstatements ought to differ in the audit of an issuer or a nonissuer.

2) Paragraph A2. defines "clearly trivial." The definition/discussion seems to be limited to misstatements that are factual or judgmental. It should be pointed out that it does not apply to misstatements identified in audit samples where misstatements are to be projected to the entire population.

1155 Radio Road
Redwood City, CA
94063-0111

Phone: 650-962-1000
www.calcpa.org

Page 2

3) The proposed SAS, which will be part of AU Section 508, and the one on "Materiality in Planning and Performing an Audit" both discuss materiality, the former has a number of references back to the latter. This organization of the two documents appears poor. Part of performing an audit is rendering an audit report, and materiality judgments are an iterative process right up to the completion of the audit report. Therefore, it would seem better to have all the discussion of how uncorrected misstatements affect the audit report in the evaluation section. What would move from AU Section 508 to "Materiality in Planning and Performing an Audit" would be paragraphs 10 and 11, and A4, and most of A13 through 21.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Very truly yours,

A handwritten signature in black ink, reading "JoAnn Guattery". The signature is fluid and cursive, with a large initial "J" and "G".

JoAnn Guattery, Chair

Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants