



1800 Gateway Drive, Ste 200
San Mateo CA 94404-4072
(800) 922-5272
www.calcpa.org

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mglynn@aicpa.org

Michael Glynn
Audit and Attest Standards
AICPA
1211 Avenue of the Americas
New York, NY 10036-08775

- RE: PROPOSED STATEMENTS ON STANDARDS FOR ACCOUNTING AND REVIEW SERVICES
- REVIEW OF FINANCIAL STATEMENTS
 - REVIEW OF FINANCIAL STATEMENTS—SPECIAL CONSIDERATIONS

The Accounting Principles and Auditing Standards Committee (“the Committee” or “We”) of the California Society of Certified Public Accountants (“CalCPA”) is grateful for the opportunity to comment on the proposed auditing standard referenced above. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee is comprised of 49 members, of whom 53 percent are from local or regional firms, 27 percent are from large multi-office firms, 10 percent are sole practitioners in public practice, 8% are from academia, and 2 % are in an international firm.

General Comments

- 1) Why the delay in being effective on or after December 31, 2014? These standards do not need this amount of lead time to implement.

Review of Financial Statements

- 2) ¶ 6: We believe the definitions should include
 - a) “materiality”
 - b) “internal control”
 - c) “significant”
- 3) ¶ 14 Consider adding “modifications’ as well as material misstatements
- 4) ¶ 19(c): should read “material misstatement”, not just “misstatement”
- 5) ¶ 38 (c): “The accountant should consider... whether the financial statements adequately describe how the special purpose framework differs from GAAP. The effects of these differences need not be quantified. (Ref: par. A42)
 - a) Why should this description be required? The financial statements and the report make it clear which financial framework the financial statements have been prepared. Presumably the user of the financial statements understands the framework or would not use the financial statements prepared on that framework.
 - b) The same concept should apply to the disclosures required by the framework

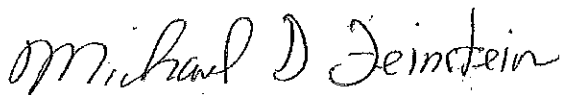
- 6) ¶ 42: Rather than in the report, should these points be in a footnote?
- 7) ¶A81: Should the sentence under (c) be a part of "c", or does this consideration apply to (a) – (c)?

Review of Financial Statements – Special Considerations

- 8) ¶¶ 10 and A1: This paragraph appears to handle the emphasis-of-matter or an other-matter paragraph in a manner not consistent with the treatment of departures with audits.
 - a) Why?
 - b) Perhaps add an example of what would not impact the accountant's report.
- 9) ¶ 10, ¶A1, and ¶ A3: These paragraphs are self-contradictory. ¶ 4 and ¶ 5 contain the definition of emphasis of matter paragraphs as relating to items that are reported and/or disclosed properly, not departures. We recommend the paragraphs in this point be reworded for consistency.
- 10) ¶ 18: We recommend adding the term "reasonable period of time" to the definitions.
- 11) ¶¶ 27 and A25: Facts coming to the accountant's attention after the report release date.
 - a) Given the engagement is over, why is there responsibility after the report release date?
 - b) What is the timeframe for this extended responsibility?

The Committee would be glad to discuss our comments further should you have any questions or require additional information.

Very Truly Yours,



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