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1211 Avenue of the Americas
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Re: Proposed Statements On Standards For Accounting And Review Services: Association With Unaudited Financial Statements; Compilation Of Financial Statements; Compilation 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 percent are in academia and 2 percent are in an international firm.

- (1) Why the delayed effective date? These standards do not need this amount of lead time to implement.

Association with Financial Statements – no comments

Compilation of Financial Statements

- (2) ¶32(b) – Exactly how does management assert it has taken responsibility for the financial statements, and how is this assertion documented? Is a representation letter required?
- (3) ¶33(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.

Why should this be required? The financial statements and the report make it clear upon which financial reporting framework the financial statements have been prepared. Presumably, the user of the financial statements understands something about the framework or would not use financial statements prepared on that framework.

- (4) ¶A10 – This is rather self-serving. How is management responsible if it is not involved in the preparation?

Compilation of Financial Statements Special Considerations

- (5) ¶9 – Why is this worded as though it is possible to encounter a material uncorrected departure that will not impact the accountant's report?
- (6) ¶10, ¶A1 and ¶A3 – These are self-contradictory. Emphasis of matter paragraphs are defined in ¶4 and ¶5 as relating to items that are properly reported and/or disclosed, not departures.
- (7) ¶28-31, and ¶A26 – Facts coming to accountant's attention after report release date –

Why is there any responsibility here? The engagement is over. This is different, or should be different, from an assurance engagement.

¶A26 makes no sense. It starts out talking about the report date and then switches to the report release date. When it used to be the case that there could be a significant amount of time between the two, this requirement makes sense, i.e. you finished the work and dated the report, but you have not released it yet for some reason and then something comes to your attention that has to be dealt with. Under these old rules you still have not issued the report and so you have not concluded your engagement. However, under the new rules, the report date and report release date are more or less the same and once the report has been released, the engagement is over. There should be no further obligation to act on information coming to the accountant's attention.

Moreover, this requirement is open-ended. For just how long is the accountant under an obligation to deal with information coming to his/her attention after a compilation report has been released? A month? A year? A decade?

- (8) ¶A27 makes a mockery of the idea that a compilation is not an assurance engagement by stating a requirement that the accountant consider persons currently using or likely to use the financial statements who would attach importance to the subsequently discovered facts. Requiring the accountant to make such considerations gives the user assurance. This makes sense up to the point the report is released, but not after.
- (9) ¶A23 – Why is the accountant discussing management's plans in the accountant's report? Why not require limited disclosure in notes relating to the going concern?

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

Very truly yours,



Howard Sibelman, Chair
Accounting Principles and auditing Standards Committee
California Society of Certified Public Accountants