

October 28, 2019

Attn: Sharon Macey at Sharon.Macey@aicpa-cima.com.

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

Dear AICPA Auditing Standards Board:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the amendments proposed in the above referenced exposure draft.

Amended Section:

Section 800, Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, as amended (AICPA, Professional Standards, AU-C Sec. 800)

Comments:

After reviewing amendments to Section 800, the committee thinks that the substantive meanings of the new definitions remain unchanged. On page 10, special purpose frameworks are defined, but the five specific frameworks provided as examples are not inclusive of the AICPA's Financial Reporting Framework for Small- and Medium-Sized Entities (FRF for SMEs). The definition on page 19 of "other basis" is open ended to include those frameworks that are not specifically mentioned. However, the alternative accrual basis framework that was developed for FRF for SMEs business by AICPA should be prominently included in the list of example frameworks.

The committee would like to request a clarification on whether or not the proposed standard precludes a statement of conclusion (third bullet point on summary page 10). If reporting on special purpose statements, the committee thinks that the preparer must conclude on going concern. Paragraph .17 on page 16 states that if a special purpose framework is used and disclosures are adequate, a going concern issue does not have to be stated in the auditor's conclusion. The committee does not believe that this position is in the best interest of the profession or the public. Whether or not to modify the opinion should be left up to judgment of the auditor.

In Appendix B, Section 700 – pages 22-25, the committee thinks that further clarification is needed with regard to the definition of extraordinary items. There are currently conflicting ASBs that require extraordinary items to be eliminated while also requiring disclosures of extraordinary items. How can auditors of financial statements accomplish eliminating and disclosing of extraordinary items at the same time? For example: how do you have a net of tax expense item disclosure if the "net of tax expense" item has been removed? Also, there are incorrect acronyms regarding disclosure at the top of page 25.

Amended Section:

Section 805, Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement, as amended (AICPA, Professional Standards, AU-C sec. 805)

Comments:

On page 43 there is a typographical error: paragraph .A13: "error – reference source not found" should be removed. The committee thinks that there is nothing objectionable to Section 805. This is a rarely used section with a narrow application. This section is more about an agreed upon procedure or a specific requests audit. Without sufficient background information, the committee does not understand what precipitated this change in the standard.

Amended Section:

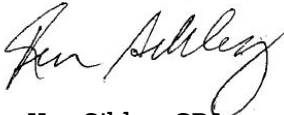
Section 810, Engagements to Report on Summary Financial Statements (AICPA, Professional Standards, AU-C Sec. 810)

Comments:

After review of Section 810, the committee is of the opinion that summary financial reports are usually the result of a minority interest consolidation. There appeared to be no changes to current instructions in this area. However, the committee had a concern about page 62, paragraph .18. The committee would like to see examples or further explanation of how an auditor can issue a summary financial statement with an unmodified opinion while also modifying the opinion at the detail level? Why, and when, would an auditor do this? What precipitated this change in the standard? Does this change apply to a single company or to consolidations only? What is the purpose of the summary financial statement if this type of opinion is allowed? The "Summary Financial Statement" paragraph on page 65 would be very confusing to auditors and the public. Please provide examples of when it would be appropriate to use this paragraph.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,



Ken Sibley, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants