

March 31, 2008

Mr. James Sylph  
Executive Director, Professional Standards  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York, NY 10017

**Re: Exposure Draft: *Proposed Redrafted International Standard on Auditing (ISA) 501 (Redrafted), Audit Evidence Regarding Specific Financial Statement Account Balances and Disclosures***

Dear Mr. Sylph:

The American Institute of Certified Public Accountants (AICPA) is pleased to comment on the above referenced exposure draft. We commend the International Auditing and Assurance Standards Board (IAASB) on its proposed revisions to International Standard on Auditing (ISA) 501. We believe that the objective for the Proposed ISA is appropriate, and that the proposed requirements are appropriate responses to that objective.

*Long Term Investments*

We support the removal of material regarding the valuation and disclosure of long-term investments.

*Other comments*

Our detailed comments and recommendations are included in the accompanying appendix.

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Thank you for the opportunity to comment on this exposure draft. If you have any questions regarding the comments in this letter, please contact Sharon Walker at +1-212-596-6026, [swalker@aicpa.org](mailto:swalker@aicpa.org).

Respectfully submitted,

/s/ Harold Monk, Jr.  
Chair, Auditing Standards Board

## APPENDIX – PARAGRAPH LEVEL COMMENTS

We offer the following paragraph level comments for your consideration. Suggested new language is shown in boldface; suggested deleted language is shown by strikethrough. Italicized text is used to add emphasis.

**Paragraph 4** – Paragraph 4 requires the auditor to attend the entity’s physical inventory count, *unless impracticable*. A reference to the requirement in paragraph 7 where the auditor is directed as to what to do when attendance is impracticable would be helpful.

**Paragraph A1** – We recommend the following editorial change:

Management ordinarily establishes procedures ~~under~~ **in accordance with** which inventory is physically counted at least once a year to serve as a basis for the preparation of the financial statements and, **if applicable**, to ascertain the reliability of the entity’s perpetual inventory system, ~~if applicable~~.

**Paragraph A2, first bullet** – We recommend separating the first bullet as follows:

- Inspect the inventory to determine its existence and evaluate its condition.
- Perform test counts.

**Paragraph A5** – The first sentence in paragraph A5 is new material and is difficult to read. To assist the readability we suggest redrafting the first sentence. In addition, we recommend moving the second sentence to the application material headed “Final Inventory Records,” as this guidance appears more closely related to the requirement in paragraph 4(c).

Observing management’s count procedures assists the auditor in obtaining audit evidence that management’s instructions and count procedures, ~~for example, those pertaining to the control over the movement of inventory before, during and after the count,~~ are adequately designed and implemented. **Those instructions and procedures may include, for example, those pertaining to the control over the movement of inventory before, during and after the count.** ~~In addition, the auditor may obtain copies of cutoff information, such as details of the movement of inventory, to assist the auditor in performing audit procedures over the accounting for such movements at a later date.~~

**[New paragraph] When attending the entity's physical inventory count, ~~In addition,~~** the auditor may obtain copies of cutoff information, such as details of the movement of inventory, to assist the auditor in performing audit procedures over the accounting for such movements at a later date.