

A faint, light-colored world map is visible in the background, showing the outlines of continents and a grid of latitude and longitude lines. The map is centered on the Atlantic Ocean, with North and South America on the left and Europe and Africa on the right. A vertical dotted line runs down the center of the page, passing through the map.

## Clarification and Convergence

An AICPA Auditing Standards Board Project  
July 2008

# Clarification and Convergence

## The Clarity Project

The AICPA's Auditing Standards Board (ASB) has undertaken a significant effort to make U.S. generally accepted auditing standards (GAAS) easier to read, understand and apply.

This endeavor is similar to a project of the International Auditing and Assurance Standards Board (IAASB) that aims to clarify its International Standards on Auditing (ISAs).

### Genesis of the project

In 2004, the ASB considered how best to meet its mission in light of the creation of the Public Company Accounting Oversight Board (PCAOB) and the increasingly widespread acceptance of ISAs.

The ASB developed a plan to converge U.S. GAAS with the ISAs while avoiding unnecessary conflict with PCAOB standards.

Next, the ASB aligned its agenda with that of the IAASB and began to develop its standards based on the ISAs. This allows the ASB to consider projects simultaneously with the IAASB – and more effectively provide input on the international standard-setting process.

### The basics

The foundation of the clarity project is the establishment of an objective for each auditing standard. These objectives will better reflect a principles-based approach to standard-setting.

In March 2007, the ASB sought feedback on its *Improving the Clarity of ASB Standards* discussion paper. In response to that feedback and subsequent discussions, the ASB has established clarity drafting conventions.

## Clarity drafting conventions

The conventions will be applied to all standards issued by the ASB after January, 2008. They include:

- Establishing objectives for each of the standards
- Including a definitions section, where relevant, in each standard
- Separating requirements from application and other explanatory material
- Numbering application and other explanatory material paragraphs using an A prefix and presenting them in a separate section (following the requirements section)
- Using formatting techniques, such as bulleted lists, to enhance readability
- Special considerations relevant to audits of smaller, less complex entities
- Special considerations relevant to audits of governmental audits

### Next steps

Over the next two to three years, the ASB will redraft all of the auditing sections in *Codification of Statements on Auditing Standards*, apply the clarity drafting conventions and converge the material with the ISAs.

The redrafting process will include exposing clarity redrafts, considering comments, making changes and finalizing the standards.

The ASB expects that nearly all ISA requirements will also be requirements of U.S. GAAS. However, there may be additional GAAS requirements that address issues specific to the U.S. or the retention of current practices.

### Effective date

The ASB proposes that all redrafted standards will be effective on the same date. (Standards that address current issues will have earlier effective dates.)

The effective date is expected to apply to audits of financial statements for periods beginning no earlier than December 15, 2010. It will be amended to a later date, if necessary.

The ASB believes having a single effective date will ease the transition to – and implementation of – the redrafted standards. The date will be selected to allow enough time for finalization of the standards as well as training in and updating of firm methodologies.

### Release upon approval

To assist in training (including development of training materials) and implementation, the ASB will release the finalized redrafted standards as they are approved.

**Note:** The ASB recognizes that conforming changes may need to be made to approved redrafted standards as a result of the clarification of other standards. The ASB expects these changes will be minor (wording, placement of material) rather than substantial. Thus, the benefits of making the standards available as early as possible support the release of redrafted standards as they are finalized.

### Supplemental material

An exhibit that identifies differences between the requirements of the proposed redrafted standards and the requirements of the corresponding ISA will be included as an exhibit to the exposure draft.

In addition, supplemental material to exposure drafts of proposed standards will be provided to assist respondents in understanding how the ISA, the proposed standard and the extant standard compare to one another.

## ASB Mission

The ASB's mission is to develop and communicate comprehensive performance, reporting and quality control standards and interpretive practice guidance.

The standards and guidance are intended to assist auditors of nonissuers in providing high quality, independent audit and attestation services at a reasonable cost – and in the best interests of the profession and those who benefit from the services.

The ultimate goal of the ASB is to serve the public interest.

