



## Agenda Item 2B

**Table 1: General Comments**

Respondent and Comment	Notes
<p><b>02 TN State Audit</b></p> <p>We generally agree with the board’s objective to align its definition of materiality with that of the U.S. judicial system and other U.S. standard setters and regulators. We also agree that it is in the public interest to eliminate unnecessary inconsistencies between the <i>materiality</i> definition in AICPA Professional Standards and the definition of materiality used by the U.S. judicial system and other U.S. standard setters and regulators. Although we agree with the overall approach to eliminate inconsistencies, we believe the board should elaborate in the “application and other explanatory material” section about what practice issue(s) the proposed wording changes are intended to address or solve (e.g., does the board have evidence that the current definition is not being applied as intended, or what substantive problems are the proposed changes intended to solve, other than consistency?).</p>	<p>ED Wrap document stated that changes are just for consistency and not intended to change practice.</p>
<p><b>05 Alonzo Neese</b></p> <p>I am a 75-year-old licensed CPA in Georgia (before that PA, IL &amp; WI) who spent most of my working life in industry and subsequently in investment advisory work.</p> <p>It seems to me that parsing words like this exposure draft does is overkill. What is wrong with the well-settled principle of "more likely than not" that is easily understood and has served the judicial community well for so many years in civil actions?</p>	<p>“More Likely than not” is not used by any of the parties with whom we are trying to be consistent.</p>
<p><b>06 Frank VanHoy</b></p> <p>I would generally agree that having the professional standards agree with the U.S. judicial system and other U.S. standard setters and regulators on materiality should be an improvement over the current system.</p> <p>The phrase "could reasonably be expected" vs "would influence the judgment of a reasonable investor" is substantial.</p>	<p>ASB is not proposing to use the word “investor” in its standards.</p> <p>Defining a safe harbor minimum or practical examples are beyond</p>

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<p>However, to define the standard only using investors as the standard is to minimize other users of financial statements, namely lenders, owners, etc. For the great majority of financial statements produced for small to mid-sized companies, investors are not an issue and should not be used as the sole measure of materiality.</p> <p>I would also add that a safe harbor minimum should be considered or practical examples given that would illustrate the range of variance considered tolerable, while still protecting auditor/accountant independence and judgement.</p>	<p>the scope of this project.</p>
<p><b>09 GT</b></p> <p>We support amendments to align the materiality concepts discussed in the AICPA <i>Professional Standards</i> with the definition of materiality used by the U.S. judicial system, the auditing standards of the PCAOB, the U.S. Securities and Exchange Commission (SEC), and the Financial Accounting Standards Board (FASB). However, we believe there is additional opportunity to improve the brevity of the description of the materiality concept.</p>	
<p><b>10 MI Auditor General</b></p> <p>We have reviewed the AICPA Auditing Standards Board's proposed statement on auditing standards and the proposed statement on standards for attestation engagements which are both entitled <i>Amendments to the Description of the Concept of Materiality</i> and generally agree with the proposed amendments. We support the ASB's proposal to align the definition of "materiality" in the audit and attestation standards to the definition used by the U.S. judicial system, the PCAOB, the SEC, and the FASB.</p>	
<p><b>13 EY</b></p> <p>We support the ASB's efforts to align the materiality concepts discussed in AICPA Professional Standards with the definition of materiality used by the US Supreme Court, the auditing standards of the Public Company Accounting Oversight Board, the Securities and Exchange Commission (SEC) and the Financial Accounting Standards Board (FASB). However, we do not support some aspects of the proposal and believe some proposed amendments require clarification. For example, as further explained in the Attachment, we believe that using the term "reasonable user" rather than "intended user," as the ASB has proposed, could confuse practitioners.</p>	

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<p><b>15 GAO</b></p> <p>We agree with the American Institute of Certified Public Accountants’ (AICPA) efforts to align the definition of materiality with those of the U.S. judicial system, the Public Company Accounting Oversight Board, the U.S. Securities and Exchange Commission, and the Financial Accounting Standards Board. In general, we believe that it is important to converge the AICPA’s auditing and attestation standards with those of the International Auditing and Assurance Standards Board. However, in this instance, we agree with the AICPA’s decision to reduce the inconsistencies between the definition of materiality in <i>AICPA Professional Standards</i> and those that the U.S. judicial system and other U.S. standard setters and regulators use.</p>	
<p><b>16 BDO</b></p> <p>We are supportive of the Board’s objectives to align the materiality concepts described in AICPA Professional Standards with the definition of materiality used by the U.S. judicial system, the Public Company Accounting Oversight Board (PCAOB), the U.S. Securities and Exchange Commission (SEC), and the Financial Accounting Standards Board (FASB) (hereinafter referred to as “U.S. judicial system and other U.S. standard setters and regulators”). In particular, we support the Board’s intent to amend its definition to describe an omission or misstatement to be material if there is “<i>substantial likelihood</i>” that it “<i>would influence</i>” the judgment of a “<i>reasonable user</i>”. The amended description of the threshold better reflects how the concept of materiality is understood and applied in practice.</p>	
<p><b>19 PWC</b></p> <p>We agree with the Auditing Standards Board’s (ASB) objective of eliminating inconsistencies between the description of the concept of materiality in <i>AICPA Professional Standards</i> and the definition of materiality used by the US judicial system and other US standard setters and regulators, in particular the Public Company Accounting Oversight Board (PCAOB).</p>	
<p><b>20 CCMC</b></p> <p>The CCMC strongly supports the Proposed Amendments.</p> <p>Materiality is a bedrock concept of the U.S. capital markets – both private and public. It is important that the concept of materiality be aligned among the judicial system, regulators, and standard setters in the U.S. so that all stakeholders understand and apply a common</p>	

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<p>definition. Alignment avoids unnecessary complexities, confusion, and potential litigation. Alignment creates a level playing field and best serves the interests of all stakeholders, including entities, auditors, lenders, and investors.</p> <p>The CCMC applauds the ASB for taking this important step to align the concept of materiality in the <i>Professional Standards</i> of the AICPA with that of the judicial system, regulators, and other standard setters in the U.S.</p>	
<p><b>21 KPMG</b></p> <p>We support the Board’s decision to align the definition of materiality in the AICPA <i>Professional Standards</i> with that of the US judicial system and other US standard setters and regulators as referred to in the proposed amendments. While the amendments will create a difference from the definition and use of materiality concepts in the standards issued by the International Audit and Accounting Standards Board, we believe convergence with the Public Company Accounting Oversight Board (PCAOB) will eliminate unnecessary differences and potential confusion by auditors and users of financial statements in the United States.</p>	
<p><b>22 ALGA</b></p> <p>We have reviewed the exposure draft in its entirety and agree that the proposed statement will provide users with essential and consistent information, while enhancing guidance related to understanding and applying U.S. Generally Accepting Auditing Standards (GAAS).</p>	
<p><b>23 DT</b></p> <p>We support the efforts of the ASB to align the materiality concepts in the relevant SASs with the definition of materiality used by the U.S. judicial system, the auditing standards of the Public Company Accounting Oversight Board (PCAOB), the U.S. Securities and Exchange Commission (SEC), and the Financial Accounting Standards Board (FASB) (collectively the “U.S. judicial system and other U.S. standard setters and regulators”). We also agree with the ASB’s proposed amendments to the guidance in the SSAE such that the materiality concepts in the suite of AICPA Professional Standards are consistently applied.</p> <p>D&amp;T does not anticipate that these amendments will have any significant practice implications in the determination of materiality in an audit or attestation engagement (refer to our response to <b>Issue 2</b>), and we believe that it is in the public interest to align the manner in which materiality is conceptualized in connection with performing</p>	

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audits and attestation engagements within our U.S. jurisdiction so as to avoid any unintended consequences and unnecessary confusion.	
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