



## Agenda Item 2E

**Table 4: Edits Proposed by Respondents**

Topic	Comment
	<b>Reasonable User - GAAS See Issues Paper, Section II, Issue C.</b>
Reasonable user – AU-C	<p><b>02 TN State Auditor</b></p> <p>However, as described in AT-C 205 ¶A17 (page 21), we believe the board should consider adding to the AU-C 320 application material language similar to that in ¶A17 of AT-C 205 regarding the characteristics of the reasonable user (e.g., <i>reasonably knowledgeable user</i> is one that has knowledge of accounting and financial reporting or is willing to obtain that knowledge). We believe this additional application material will provide the practitioner with consistent guidance when assessing the reasonable user (AU-C 320 ¶4).</p>
Reasonable user – AU-C	<p><b>11 NSAA</b></p> <p>Similarly, we suggest the Board define the term “reasonable user” including distinguishing between an “intended user” and a “reasonable user.” Auditing standards and attestation standards both refer to intended users frequently; although, “intended user” is also not defined. Therefore, it is unclear if the term “reasonable user” means the intended user, or if the ASB’s intent was for the term to mean a broader set of users than the intended users. To help clarify, the ASB should consider adding to the AU-C 320 application material language similar to that in proposed AT-C 205.17(a-d) regarding the characteristics of the reasonable user (e.g., <i>reasonable users</i> have reasonable knowledge of accounting and financial reporting and a willingness to obtain that knowledge). We believe this additional application material will provide the practitioner with consistent guidance when assessing the reasonable user (AU-C 320 ¶4).</p>
Reasonable user – AU-C	<p><b>13 EY</b></p> <p><b><i>Proposed SAS, Amendments to the Description of the Concept of Materiality</i></b></p> <p>We believe the ASB should further clarify in any final SAS that the term “reasonable user,” as described in the proposed amendments to paragraph .02 of AU-C Section 320, <i>Materiality in Planning and Performing an Audit</i>, refers to the same group of users as the current standard on materiality. However, this group of users isn’t as broad as those referred to as “users” or “users of the financial statements” elsewhere in the auditing standards. To do this, we recommend that the ASB add the underlined words below to AU-C 320.04:</p>

	<p>.04 The auditor’s determination of materiality is a matter of professional judgment and is affected by the auditor’s perception of the financial information needs of users of the financial statements. <b><u>When determining materiality for purposes of planning and performing the audit, the auditor should consider what would be material to reasonable users.</u></b> In this context <b><u>of this section</u></b>, it is <b><u>the term</u></b> reasonable for the auditor to assume that users <b><u>refers to users of the financial statements that:</u></b></p> <ol style="list-style-type: none"> <li>a. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;</li> <li>b. understand that financial statements are prepared, presented, and audited to levels of materiality;</li> <li>c. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and</li> <li>d. make reasonable economic decisions on the basis of the information in the financial statements.</li> </ol>
Reasonable user – AU-C	<p><b>19 PwC</b></p> <p>However, we believe the ASB should give additional consideration to how the terms “reasonable user,” “intended user,” and “user(s) of the financial statements” are used in both the auditing and attestation standards and determine whether additional guidance is necessary to explain the interrelationships between these concepts.</p> <p>As an administrative matter, the AICPA will need to make conforming changes to its body of literature addressing audit and attestation engagements (in particular, the Audit and Accounting Guides) to ensure the language is consistent with the amendments when they are finalized.</p>
Reasonable user – AU-C	<p><b>23 DT</b></p> <p><u>AU-C section 320</u></p> <p>The amendments to AU-C section 320 in the exposure draft introduce the notion of a <i>reasonable</i> user. While D&amp;T acknowledges the rationale is to align with the definition as used by the U.S. judicial system and other U.S. standard setters and regulators, including the concepts in PCAOB AS 2105, <i>Consideration of Materiality in Planning and Performing an Audit</i>, the qualifier <i>reasonable</i> has not been consistently used when referring to users in AU-C section 320. It is therefore unclear if there is an intended difference when considering the judgments of a reasonable user versus other actions by a user. D&amp;T believes that the ASB should consider whether conforming edits need to be made to paragraphs .02, .04, .A4, .A5, and .A12 of AU-C section 320 in order to align the use of terminology, the unintended consequences of doing so, and the related impact throughout the</p>

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	SASs. This matter would also need to be considered as it pertains to intended users in the SSAEs.
	<b>Reasonable User – AT-C sections</b> See Issues Paper, Section II, Issue D
Reasonable user – AT-C	<p>13 EY</p> <p><b>Proposed SSAE, Amendments to the Description of the Concept of Materiality</b></p> <p>Overall, we support the amendments to AT-C Section 205, <i>Examination Engagements</i> and AT-C Section 210, <i>Review Engagements</i>. However, we are concerned that simply replacing the term “intended user” in AT-C 205.A17 and AT-C 210.A16 with “reasonable user” could be confusing and could have unintended consequences. Today, most practitioner reports issued under attestation standards are typically restricted use reports primarily because the criteria used to evaluate the subject matter are appropriate only for a limited number of parties or the criteria used to evaluate the subject matter are available only to specified parties. We believe use of the term “intended user” rather than “reasonable user” is more appropriate in the context of planning and performing an attestation engagement.</p> <p>If the ASB replaces the term “intended user” with “reasonable user,” practitioners may infer that they should consider the needs of a broader range of users, other than those for whom the report was intended, when determining materiality. We recommend that any further changes to the concept of materiality in the Attestation Standards that may be necessary given the growing demand for general use reports should be addressed in the ASB’s separate proposal to revise SSAE No. 18.</p>
Reasonable user – AT-C	<p>11 NSAA</p> <p>In addition, the proposed amendments to AT-C 205.A17 and AT-C 210.A16 replace “intended users” with “reasonable user” in the first sentence but continue to use “intended users” in the second and third sentences. The ASB should use the term consistently.</p>
	<b>Materiality Definition</b>
Materiality description	<p>09 GT</p> <p>However, we believe the wording of the amendments to the auditing standards would be improved if the “made based on the financial statements” concept was repositioned. We propose the description of materiality for audit engagements be revised as follows:</p> <p>“Misstatements, including omissions, are considered to be material <u>to the financial statements</u> if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user <del>made based on the financial statements.</del>”</p>

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	<p>Similarly, we believe the wording of the amendments to the attestation standards would be improved if the “made based on the subject matter” concept was repositioned. We propose the description of materiality for attestation engagements be revised as follows:</p> <p>“Misstatements, including omissions, are considered to be material <u>to the subject matter</u> if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user <del>made based on the subject matter.</del>”</p>
<p>Materiality description</p>	<p>15 GAO</p> <p>We suggest that AICPA consider making the following editorial changes to increase the definition’s clarity:</p> <p>Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgments <del>made by of</del> a reasonable user <del>made</del> based on the financial statements.</p>
<p>Materiality definition</p>	<p>19 PwC</p> <p>We suggest the following edits to paragraphs .02-.03 to clarify the discussion of materiality for the audit is in the context of misstatements of the financial statements and more closely align with AU-C section 200:</p> <p>.02 Financial reporting frameworks <del>may often</del> discuss the concept of materiality in the context of the preparation and fair presentation of the financial statements, which <del>may</del> provides a frame of reference to the auditor in determining materiality for the audit. Although <del>financial reporting frameworks may discuss</del> <u>materiality in the context of the financial statements may be discussed</u> in different terms, <del>they</del> generally <u>the discussion</u> explains that</p> <ul style="list-style-type: none"> <li>• <u>misstatements of the financial statements</u>, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user <del>made based on the financial statements</del>.</li> <li>• judgments about materiality are made in light of surrounding circumstances, <u>involve both qualitative and quantitative considerations</u>, and are affected by the size or nature of a misstatement, or a combination of both.</li> <li>• judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effects of misstatements on specific individual users, whose needs may vary widely, is not considered.</li> </ul>

	<p>.03 If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph .02 provide the auditor with such a frame of reference.</p> <p><b>SAS 134</b></p> <p>Conforming changes to paragraphs .35 and .A14 of AU-C section 700 and to paragraphs .74, .115, and .A69 of <b>SAS 136</b> will be needed to align with the changes proposed to paragraph .02 of AU-C section 320.</p>
<p>Materiality definition</p>	<p>23 DT</p> <p><u>Paragraph .02 of AU-C section 320</u></p> <p>Financial reporting frameworks issued by standard setting bodies are only one example where the concept of materiality is discussed; other examples include opinions interpreting the federal securities law issued by the U.S. Supreme Court and guidance issued by the SEC. We believe the reference to financial reporting frameworks should be deleted in the introductory sentence as it too narrowly categorizes the source of the discussions relating to the concept of materiality.</p> <p>Further, it is noted that the bullets referenced in paragraph .02 of AU-C section 320 are all relevant in the context of the financial statements, and we therefore recommend amending the second sentence accordingly. We also recommend an additional bullet to address the qualitative and quantitative considerations outlined in paragraph .07 of AU-C section 200, <i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards</i>. These changes are indicated below.</p> <p><del>.02 Financial reporting frameworks often discuss</del> <b><u>the concept of materiality is often discussed</u></b> in the context of the preparation and fair presentation of financial statements, which provides a frame of reference to the auditor in determining materiality for the audit. Although <del>financial reporting frameworks may discuss materiality</del> <b><u>as it relates to the financial statements may be discussed</u></b> in different terms, they generally <del>the</del> <b><u>discussion</u></b> explains that</p> <ul style="list-style-type: none"> <li>• misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user <del>made based on the financial statements</del>.</li> <li>• judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.</li> <li>• <b><u>judgments involve both qualitative and quantitative considerations.</u></b></li> </ul>

	<ul style="list-style-type: none"> <li>• judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.</li> </ul>
	<p><b>23 DT</b></p> <p><u>Paragraph .04 of AU-C section 320</u></p> <p>When aligning the materiality concepts with the definition of materiality used by the U.S. judicial system and other U.S. standard setters and regulators, the concept of “economic decisions of users” was necessarily deleted. Conforming amendments to paragraph .04 of AU-C section 320 are therefore recommended. This change and other edits are below.</p> <p><b>.04</b> The auditor’s determination of materiality is a matter of professional judgment and is affected by the auditor’s perception of the <b>common</b> financial information needs of users of the financial statements. In this context, it is reasonable for the auditor to assume that users</p> <ol style="list-style-type: none"> <li>a. have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;</li> <li>b. understand that financial statements are prepared, presented, and audited to levels of materiality;</li> <li>c. recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment, and the consideration of future events; and</li> <li>d. make <del>reasonable economic decisions on the basis of</del> <b>judgments based on</b> the information in the financial statements.</li> </ol> <p>We also suggest a detailed search of the professional standards be undertaken in order to identify instances where the phrase <i>economic decisions</i> has been used in order to determine whether the wording should be amended to align with the proposed amendments in AU-C section 320; for example paragraph .A23 (11th bullet) of AU-C section 450, <i>Evaluation of Misstatements Identified During the Audit</i>, references misstatements “that may reasonably be expected to influence the economic decisions of the users of the financial statements.”</p>
	<p><b>Materiality Level and Other Edits See Issues Paper, Section II, Issue E</b></p>

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<p>Materiality level</p>	<p><b>23 DT</b></p> <p>One concept that may warrant further clarification relates to use of the phrase “materiality level or levels” as stated in paragraph 10 of AU-C section 320, <i>Materiality in Planning and Performing an Audit</i>. Confusion exists as to whether this phrase refers to the testing that is intended to be performed, or whether the materiality level(s) are intended to address the evaluation of misstatements for those particular classes of transactions, account balances, or disclosures. We believe the intention of this sentence relates to the evaluation of misstatements, and request the ASB amend the last sentence of paragraph 10 of AU-C section 320 to address this practice issue as follows; “... materiality level or levels to be applied to those particular classes of transactions, account balances, or disclosures <b>when evaluating whether the financial statements are materially misstated.</b>”</p>
<p>Materiality Level/ AS 2105</p>	<p><b>19 PwC</b></p> <p>The following suggestions are of an editorial nature to carry forward the suggestions made to paragraphs .02 and .03 of AU-C section 320.</p> <p><b>AU-C section 200</b></p> <p>.07 The concept of materiality is applied by the auditor when both planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and uncorrected misstatements, if any, on the financial statements. <del>In general, m</del><u>Misstatements of the financial statements</u>, including omissions, are considered to be material if there is <b>a substantial likelihood</b> that, individually or in the aggregate, they would influence the judgment of a reasonable user <del>made based on the financial statements</del>. Judgments about materiality are made in light of surrounding circumstances, and involve both qualitative and quantitative considerations. These judgments are affected by the auditor’s perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or both. The auditor’s opinion addresses the financial statements as a whole. Therefore, the auditor has no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by fraud or error, that are not material to the financial statements as a whole, are detected.</p>
<p>Materiality Level/ AS 2105</p>	<p><b>19 PwC</b></p> <p>The following suggestions are of an editorial nature to align more closely with PCAOB AS 2105 . Additional conforming changes may be needed to other requirements and application material in these AU-Cs, in particular to refer to “a materiality level.”</p> <p><b>AU-C section 320</b></p> <p>.09 For purposes of generally accepted auditing standards (GAAS), the following term has the meaning attributed as follows:</p>

	<p><b>Performance materiality.</b> The amount or amounts set by the auditor at less than <u>the materiality level</u> for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, <i>performance materiality</i> also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances, or disclosures. Performance materiality is to be distinguished from tolerable misstatement.</p> <p>.10 When establishing the overall audit strategy, the auditor should <del>determine</del> <u>establish a materiality level</u> for the financial statements as a whole. If, in the specific circumstances of the entity, one or more classes of transactions, account balances, or disclosures exist for which there is a substantial likelihood that misstatements <u>of the financial statements</u> of lesser amounts than <u>the materiality level</u> for the financial statements as a whole would influence the judgment of a reasonable user <del>made based on the financial statements</del>, the auditor also should <u>establish a separate</u> <del>determine the</del> materiality level or levels to <del>be applied to</del> <u>plan the nature, timing, and extent of audit procedures</u> for those particular classes of transactions, account balances, or disclosures.</p> <p>.11 The auditor should <del>determine</del> <u>establish</u> performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures.</p> <p>.A12 Factors that may indicate the existence of one or more particular classes of transactions, account balances, or disclosures for which there is a substantial likelihood that misstatements <u>of the financial statements</u> of lesser amounts than <u>the materiality level</u> for the financial statements as a whole would influence the judgment of a reasonable user <del>made based on the financial statements</del> include the following: .....</p>
<p>Materiality Level/ AS 2105</p>	<p><u>19 PwC Response to ASB Materiality Exposure Draft final</u></p> <p>The following suggestions are of an editorial nature to align more closely with PCAOB AS 2105 and carry forward the suggestions made to paragraphs .02 and .03 of AU-C section 320. Additional conforming changes may be needed to other requirements and application material in these AU-Cs, in particular to refer to “a materiality level.”</p> <p><b>AU-C section 600</b></p> <p>.32 The group engagement team should <del>determine</del> <u>establish</u> the following:</p>

- e. ~~A materiality level, including performance materiality,~~ for the group financial statements as a whole when establishing the overall group audit strategy, as well as performance materiality.
- f. Whether, in the specific circumstances of the group, particular classes of transactions, account balances, or disclosures in the group financial statements exist for which there is a substantial likelihood that misstatements of the financial statements of lesser amounts than the materiality level for the financial statements as a whole would influence the judgment of a reasonable user ~~based on the group financial statements~~. In such circumstances, the engagement team should ~~determine~~ establish a separate materiality level or levels to plan the nature, timing, and extent of audit procedures for ~~to be applied to~~ those particular classes of transactions, account balances, or disclosures.
- g. Component materiality for those components on which the group engagement team will perform, or for which the auditor of the group financial statements will assume responsibility for the work of a component auditor who performs, an audit or a review. Component materiality should be ~~determined~~ established taking into account all components, regardless of whether reference is made in the auditor's report on the group financial statements to the audit of a component auditor. To reduce the risk that the aggregate of uncorrected and undetected misstatements in the group financial statements exceeds the materiality level for the group financial statements as a whole, component materiality should be lower than the materiality level for the group financial statements as a whole, and component performance materiality should be lower than performance materiality for the group financial statements as a whole.

.A63 The auditor is required

- a. When establishing the overall audit strategy
  - i. to ~~determine~~ establish a materiality level for the financial statements as a whole.
  - ii. to consider whether, in the specific circumstances of the entity, particular classes of transactions, account balances, or disclosures exist for which there is a substantial likelihood that misstatements of the financial statements of lesser amounts than the materiality level for the financial statements as a whole would influence the judgment of a reasonable user ~~made based on the financial statements~~. In

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	<p>such circumstances, the auditor <del>determines</del> <u>establishes a separate materiality level or levels to plan the nature, timing, and extent of audit procedures for to be applied to</u> those particular classes of transactions, account balances, and disclosures.</p> <p>b. to <del>determine</del> <u>establish</u> performance materiality for purposes of assessing the risks of material misstatement and designing further audit procedures to respond to assessed risks.</p> <p>In the context of a group audit, <u>a materiality level</u> is established for both the group financial statements as a whole and the financial information of those components on which the group engagement team will perform, or request a component auditor to perform, an audit or review. <u>A materiality level</u> for the group financial statements as a whole is used when establishing the overall group audit strategy.</p>
<p>Materiality Level/ AS 2105</p>	<p><b>19 PwC</b></p> <p>The following suggestions are of an editorial nature to carry forward the suggestions made to paragraphs .02 and .03 of AU-C section 320. Additional conforming changes may be needed to other requirements and application material in these AU-Cs, in particular to refer to “a materiality level.”</p> <p><b>AT-C section 205</b></p> <p>.A17 In general, misstatements <u>of the subject matter</u>, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user <del>made based on the subject matter</del>. The practitioner’s consideration of materiality is a matter of professional judgment, <u>involves both qualitative and quantitative considerations</u>, and is also affected by the practitioner’s perception of the common information needs of intended users as a group ...</p> <p><b>AT-C section 210</b></p> <p>Conforming changes to paragraph .A16 will be needed to align with the changes proposed to paragraph .A17 of AT-C section 205.</p>
<p>Other edits</p>	<p><b>23 DT</b></p> <p><u>Paragraphs .10, .A3, and .A12 of AU-C section 320 and paragraphs .32 and .A63 of AU-C section 600</u></p>

We do not believe that it is necessary to reference that the judgment of a reasonable user be made in the context of the financial statements. D&T recommends that the wording in paragraph .10 of AU-C section 320 be more concise as the context has been clearly established and addressed in paragraph.02 of AU-C section 320. The proposed edits also align with the construct outlined in paragraph .07 of PCAOB AS 2105 which states that “. . . there are certain accounts or disclosures for which there is a substantial likelihood that misstatements of lesser amounts than the materiality level established for the financial statements as a whole would influence the judgment of a reasonable investor.” Similar edits are proposed to paragraphs .32 and .A63 of AU-C section 600, *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)*. Further, D&T recommends that the guidance in paragraphs .A3 and .A12 of AU-C section 320 be amended to reflect the proposed edits to the requirement in paragraph .10 of AU-C section 320. These changes are provided below.

**.10** When establishing the overall audit strategy, the auditor should determine materiality for the financial statements as a whole. If, in the specific circumstances of the entity, one or more particular classes of transactions, account balances, or disclosures exist for which there is a substantial likelihood that misstatements of lesser amounts than materiality for the financial statements as a whole would influence the judgment of a reasonable user ~~made based on the financial statements~~, the auditor also should determine the materiality level or levels to be applied to those particular classes of transactions, account balances, or disclosures. (Ref: par. .A3-.A13)

**.A3** In the case of a governmental entity, legislators and regulators are often the primary users of its financial statements. ~~Furthermore, the financial statements may be used to make decisions other than economic decisions.~~ The determination of materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances, or disclosures) in an audit of the financial statements of a governmental entity, therefore, may be influenced by law or regulation.

**.A12** Factors that may indicate the existence of one or more particular classes of transactions, account balances, or disclosures for which there is a substantial likelihood that misstatements of lesser amounts than materiality for the financial statements as a whole would influence the judgment of a reasonable user ~~made based on the financial statements~~ include the following:

- Whether law, regulation, or the applicable financial reporting framework affect users’ expectations regarding the measurement or disclosure of certain items (for example, related party transactions and the remuneration of management and those charged with governance)

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	<ul style="list-style-type: none"> <li>• The key disclosures with regard to the industry in which the entity operates (for example, research and development costs for a pharmaceutical company)</li> <li>• Whether attention is focused on a particular aspect of the entity’s business that is separately disclosed in the financial statements (for example, a newly acquired business)</li> </ul>
Other edits	<p><b>23 DT</b></p> <p><u>Paragraph .07 of AU-C section 200; paragraphs .35 and .A14 of AU-C section 700; and paragraphs 74, 115, and A69 of AU-C section 703</u></p> <p>D&amp;T recommends that for paragraph .07 of AU-C section 200; paragraphs .35 and .A14 of AU-C section 700, <i>Forming an Opinion and Reporting on Financial Statements</i>; and paragraphs 74, 115, and A69 of AU-C section 703, <i>Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA</i>, the sentence addressing the materiality concept as highlighted in the amendments in the exposure draft be revised, as appropriate, to reflect the following proposed wording:</p> <p style="padding-left: 40px;">. . . considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user.</p>
Other edits	<p><b>23 DT</b></p> <p><b>Statement on Standards for Attestation Engagements</b></p> <p><u>Paragraph .A17 of AT-C section 205 and paragraph .A16 of AT-C section 210</u></p> <p>D&amp;T recommends that paragraph .A17 of AT-C section 205, <i>Examination Engagements</i>, be amended to more closely align with the proposed edits to paragraphs .02 and .04 of AU-C section 320. However, we do not believe that it is appropriate to introduce the concept of a reasonable user in the attestation standards since the materiality decisions are already made contemplating an intended user as described in paragraph .A17 of AT-C section 205. Similar edits are proposed for paragraph .A16 of AT-C section 210, <i>Review Engagements</i>. These changes are below.</p> <p><b>.A17</b> In general, misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of <b>an reasonable intended user</b> <del>made based on the subject matter</del>. The practitioner’s consideration of materiality is a matter of professional judgment and is affected by the practitioner’s perception of the common information needs of intended users as a group. In this context, it is reasonable for the practitioner to assume that intended users</p>

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	<p><i>a.</i> have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence.</p> <p><i>b.</i> understand that the subject matter is measured or evaluated and examined to appropriate levels of materiality and have an understanding of any materiality concepts included in the criteria.</p> <p><i>c.</i> understand any inherent uncertainties involved in measuring or evaluating the subject matter.</p> <p><i>d.</i> make <del>reasonable decisions on the basis of</del> <b>judgments based on</b> the subject matter taken as a whole.</p> <p>Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.</p>
	<p><b><i>Other Comments</i></b></p>
<p>Guidance</p>	<p><b>02 TN State Auditor</b></p> <p>On page 16 for AU-C 200.07 (last sentence), the board should consider adding guidance specific to state and local governmental entities because materiality determinations are made at the opinion unit level, not the financial statements as a whole.</p>
<p>Other</p>	<p><b>18 Robert Waxman Comments on the Description of Materiality Proposal</b></p> <p>It is not clear why the Proposal revised the wording of paragraphs 35 and A14 (page 18) of AUC Section 700 (Forming an Opinion and Reporting on Financial Statements), but did not revise the definition of materiality in the following AU-C sections as amended by SAS No. 134 (May 2019).</p>