



California Society
May 14, 2007

Certified Public Accountants
Sherry Hazel
Audit and Attest Standards
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

RE: IMPROVING THE CLARITY OF ASB STANDARDS – DISCUSSION PAPER

Dear Ms. Hazel:

The Accounting Principles & Auditing Standards Committee of the California Society of Certified Public Accountants (the AP&AS “Committee”) submits the following comments on the proposed statement.

The AP&AS Committee is the senior technical committee of our state society. It has 43 members; 67 percent from local or regional firms, 23 percent sole practitioners in public practice, 5 percent from industry and 5 percent from academia.

The Committee discussed each of the questions posed to potential commenters. We are pleased to provide our comments to the ASB on this Discussion Paper (DP).

Process Issue

Before we address the specific questions asked in the DP; a significant majority of the CalCPA’s AP&AS Committee recommends that the ASB immediately adopt the ISA’s as GAAS in the US. The ISA should be modified where the ASB believes that existing US standards are of higher quality. We referred to this approach as being “ISA plus/minus.” The CalCPA’s AP&AS Committee did not have an opportunity to deliberate on those areas where US GAAS should modify the ISAs, but we believe there will be few differences. Additionally the ASB should consider each new ISA for adoption in the US with or without modification.

The CalCPA’s AP&AS Committee reached this immediate transition conclusion because the clarity project is a phase-in ISA solution. The CalCPA’s AP&AS Committee believes that when most US GAAS standards are re-written in the ISA “format” it will be

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apparent that there are few specifically identifiable differences between the two models. Therefore, if the ASB bypasses the clarity project it will reduce convergence time and greatly reduce the costs and effort.

The CalCPA's AP&AS Committee understands the alternative view that swift transition to ISAs may alarm many practitioners who may be resistant to "international" standards; we believe that this should be overcome with education and communication.

Discussion Paper Issues

Question 1: Do you agree that the use of objectives, as proposed, will enhance the clarity of standards and how professional judgment should be exercised in applying them? Please explain why or why not

Yes. A clearly stated objective is important for the auditor's evaluation of whether or not the objective was achieved.

Question 2: Which presentation do you believe will help you better understand and implement the standard? Please explain why.

The CalCPA's AP&AS Committee overwhelmingly believes that the presentation in Appendix 2 is appropriate. The guidance material should immediately follow the requirements so the practitioner can more readily refer to all material supporting and explaining each requirement.

Question 3: Will inclusion of these special considerations throughout the SAS's be helpful? Please explain why or why not.

Yes, additional guidance material should be developed and bifurcated for the practitioners of Public Sector and Small Entities. The additional material should be in the form of guidance material and not modify the audit requirements.

Question 4: Will inclusion of a glossary of terms in the Codification of the Statements on Auditing Standards be helpful? Please explain why or why not.

Yes, a common bank of terms will improve the efficiency of communicating the standards and help eliminate inconsistencies across the various standards.

Sincerely,



Mark F. Wille, Incoming Chair
Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants