



National Association of State Boards of Accountancy

◆ 150 Fourth Avenue, North ◆ Suite 700 ◆ Nashville, TN 37219-2417 ◆ Tel 615.880-4201 ◆ Fax 615.880.4291 ◆ www.nasba.org ◆

September 1, 2016

American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Via e-mail: shazel@aicpa.org

Re: Proposed Statement on Auditing Standards - The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern

Dear Members of the Auditing Standards Board:

We appreciate the opportunity to offer comments on the Proposed Statement on Auditing Standards referred to above. The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy that regulate all certified public accountants and their firms in the United States and its territories.

We believe that standards should be amended to indicate that AU-C Section 570 is applicable to all audits of single financial statements where the financial statement framework is relevant and also to specific elements, accounts, or items of a financial statement.

The following comments relate to our review of the proposed revised standard.

Going Concern Basis of Accounting

Paragraph 3 - We are unclear as to why the proposed standard indicates that the going concern assumption is not applicable to financial statements prepared on the cash basis of accounting.

Responsibility for the Evaluation of the Entity's Ability to Continue as a Going Concern

Paragraph 4 - The last sentence of this paragraph states: "Law or regulation may also set forth requirements regarding management's responsibility to evaluate the entity's ability to continue as a going concern for a defined period of time and related financial statement disclosures." We suggest including some examples of law or regulations which may create additional requirements regarding management's responsibility to evaluate the entity's ability to continue as a going concern.

When Management is Not Required to Make a Specific Evaluation Under the Financial Reporting Framework

Paragraph 6 - As discussed in AU-C Section 800, Paragraph A20 this would require an auditor to consider the adequacy of disclosures in financial statements prepared using a comprehensive basis of accounting. Therefore, we believe that an auditor should consider the adequacy of disclosures to address the issue of substantial doubt about the entity's ability to continue as a going concern when an auditor is reporting on annual or interim financial statements, single financial statements, and specific elements, accounts or items of a financial statement. However, we do believe additional guidance and examples should be provided regarding when the going concern assumption may be applicable in a report on a specific element, account or items of a financial statement.

Period Beyond Management's Evaluation

Paragraph 17 - The intent of this paragraph is not clear. Paragraph 17 should be more specific about what the period beyond management evaluation is meant to be. One year from the date the financial statements are issued, or from when they are available to be issued, or something else?

Written Representations

Paragraph 19a - Consider revising the introduction of this paragraph to the original wording in SAS 126 to state "regarding its plans" vs "its plans" in the proposed SAS, as this subtle change in the new standard appears to imply that management would have to provide the entire content of its plans in the representation letter.

Communication with Those Charged with Governance

Paragraph 29a - Consider adding "about an entity's ability to continue as a going concern" to the end of this paragraph to clarify the intention of this paragraph.

Application and Other Explanatory Material

Paragraph A15 - We agree with the reminder that conditions or events that raise substantial doubt may affect other risk assessments previously made during the audit. We recommend questions about realizability of long-lived assets and deferred tax assets to be listed as non-inclusive examples of common areas where risk assessments may need to be revisited.

Paragraph A33 - The responsibility for going concern disclosures has now been placed on management as a result of accounting pronouncements issued by the various financial standards

boards. The phrase “the auditor may consider disclosure guidance set out” may imply that the auditor now has a responsibility for disclosure in situations where financial reporting frameworks are silent. We suggest that the phrase be rewritten to indicate “the auditor may request management to consider the disclosure guidance...”

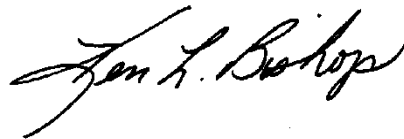
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Again, we appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,



Donald H. Burkett, CPA



Ken L. Bishop