



CAQ Alert #2008-70 – October 22, 2008

DEAR CENTER MEMBERS

PCAOB Issues Information on Audit Considerations in the Current Economic Environment for the October 2008 SAG Meeting Emerging Issues Discussion

On October 17, 2008, subsequent to the Public Company Accounting Oversight Board's (PCAOB or the Board) issuance of their October 2008 Standing Advisory Group (SAG) meeting [agenda](#) the PCAOB issued a third [briefing memo](#) which provides information on the Emerging Issues topic of the SAG meeting [agenda](#) called [Audit Considerations in the Current Economic Environment](#).

Emerging Issue – Audit Considerations in the Current Economic Environment

The PCAOB's auditing and related professional practice standards provide direction to auditors in a variety of areas that may be relevant to audits in the current economic environment. The [briefing memo](#) highlights areas that may require heightened audit emphasis in the current economic environment. These areas will be topic of discussion during this portion of the meeting. The areas identified in the [briefing memo](#) are as follows:

- Fair value measurements
- Other than temporary impairment
- Credit derivatives
- Going concern
- Pensions/other postretirement benefits
- Receivables
- Inventory
- Other asset impairments
- Deferred taxes
- Disclosures

As additional information, the [briefing memo](#) incorporates previously issued fair value guidance as [appendices](#) including, PCAOB [Staff Audit Practice Alert No. 2](#) ("Practice Alert"), *Matters Related to Auditing Fair Value Measurements of Financial Instruments and the Use of Specialists*, U.S. Securities and Exchange Commission (SEC) Office of the Chief Accountant and the Financial

Accounting Standards Board (FASB) issued "[Staff Clarifications on Fair Value Accounting](#)", and [FSP FAS 157-3: Determining Fair Value of a Financial Asset When the Market for That Asset is Not Active](#).

[Discussion Questions](#)

The SAG members will be asked to discuss the following questions (the first two questions will take into account the heightened audit emphasis topics noted above):

- Do these areas present specific audit challenges in the current economic environment? Are there any additional areas relevant to consider?
- Which of the areas identified are likely to be most significant?
- Should the PCAOB issue additional guidance to assist auditors in their upcoming audits? If so, what type of guidance would be helpful?

[SAG Meeting Reminder](#)

As a reminder, the SAG meeting will take place on Wednesday, October 22 and Thursday, October 23, 2008 from 12:30p.m.– 5:00p.m. and 9:00a.m.-3:15p.m., respectively. The meeting which will be held at the Army and Navy Club, 901 17th Street, N.W., Washington, DC, is open to the public, with the exception of the session on Wednesday, October 22nd from 3:30pm – 5:00pm, and will be available via [webcast](#) on the Board's Web site.

For additional information on the SAG meeting and the other [agenda topics](#), please view, the [agenda](#) and/or our previously issued [CAQ Alert #2008-67](#).

The complete PCAOB [briefing memo](#), *Emerging Issue – Audit Considerations in the Current Economic Environment*, can be accessed by clicking on the respective link.

Other Related Resources for Auditors:

- | | |
|------------------------------------|---|
| CAQ Alert #2008-67 | PCAOB Announces October 2008 SAG Meeting, October 17, 2008 |
| CAQ Alert #2008-66 | SEC Expresses Views Regarding Assessment of Declines in Fair Value for Perpetual Preferred Securities Under Existing OTTI Model, October 15, 2008 |
| CAQ Alert #2008-65 | FASB Issues Final Guidance on Measuring Fair Value of Financial Assets in Inactive Markets, October 14, 2008 |
| CAQ Alert #2008-63 | SEC Commences Work on a Study of Fair Value Mandated by Congress, October 8, 2008 |
| CAQ Alert #1008-62 | IASB Responds to Credit Crisis and FAF Responds to Suggestions that Congress Suspend Fair Value Accounting, October 6, 2008 |

- [CAQ Alert #2008-61](#) FASB Issues Fair Value Guidance to Be Used in a Market that's Not Active for Public Comment, October 6, 2008
- [CAQ Alert #2008-59](#) FASB Votes to Issue Fair Value Guidance in a Market that's Not Active, October 2, 2008
- [CAQ Alert #2008-58](#) SEC and FASB Issue Clarifications on Fair Value Accounting, October 1, 2008
- [CAQ Alert #2008-55](#) CAQ Comments on Accounting Issues Related to Other-Than-Temporary Impairment of Investment Securities in Response to Issues Raised by the American Bankers Association, September 18, 2008
- [CAQ Alert #2008-53](#) SEC Issues Addendum to the SFAS 157 MD&A Letter Issued in March 2008, September 17, 2008
- [CAQ Alert #2008-18](#) SEC Issues Letter to Public Companies on MD&A Disclosure Regarding the Application of SFAS 157 (Fair Value Measurements), March 31, 2008
- [CAQ Alert #2007-64](#) PCAOB Issues Staff Audit Practice Alert on Auditing Fair Value, December 14, 2007
- [CAQ Alert #2007-51](#) CAQ Issues White Papers on Illiquidity in the Markets, October 3, 2007

[Back to top](#)

Stay Informed

As a member of the Center, your firm will receive periodic updates on important developments related to the PCAOB and the SEC, as well as the activities of the Center, particularly with respect to the submission of comment letters on PCAOB and SEC proposals. To stay abreast of these and other relevant events in public company audit practice, please visit the Center Web site at [theCAQ.aicpa.org](#). Also, we welcome any suggestions or questions - please send them by email to center@theCAQ.org.

Sincerely,

Lillian Ceynowa, CPA
Center for Audit Quality
Director of Professional Practice & Member Relations
(212) 596-6084
lceynowa@theCAQ.org

Michelle McNulty
Center for Audit Quality
Technical Manager
Professional Practice & Member Relations
(212) 596-6034
mmcnulty@theCAQ.org

Kristen Sutherland, CPA
Center for Audit Quality
Technical Manager
Professional Practice & Member Relations
(212) 596-6221
ksutherland@theCAQ.org

Marie Kallio
Center for Audit Quality
Project Administrator
Professional Practice & Member Relations
(212) 596-6080
mkallio@theCAQ.org

Your email address is part of the Center For Audit Quality mailing list. To unsubscribe to future Center For Audit Quality emails, forward this message to [The CAQ remove@email.aicpa.org](mailto:The_CAQ_remove@email.aicpa.org).

If you need an updated address change, please include your old email address, new email address, and AICPA member ID (if applicable) to center@theCAQ.org.

©2008 Center for Audit Quality. All Rights Reserved. CAQ Member and CAQ Associate Member firms may use and distribute CAQ Alerts for internal, non-commercial purposes. No part may be otherwise reproduced, stored in a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, scanning or otherwise), without the written permission of CAQ. Requests to CAQ should be addressed to: 601 Thirteenth Street NW, Suite 800N, Washington D.C. 20005, or emailed to: info@thecaq.org.

AICPA, 1211 Avenue of the Americas, New York, NY 10036

Center for Audit Quality
601 13th Street NW, Washington, D.C. 20005

