Statement of PCAOB Chairman Mark W. Olson  
Open Meeting April 3, 2007

Principles of Financial Reporting

A motion has been made and seconded, so the question before the Board is whether to release for public comment a proposed auditing standard on evaluating the consistency of financial statements, amendments to the Board’s interim standards that would remove the GAAP hierarchy from PCAOB standards, and other related amendments to the Board’s interim auditing standards.

Before I ask my fellow Board members for their comments, I want to thank Tom Ray, Keith Wilson, Greg Fletcher and Leslye Givarz and all the other staff involved for their hard work on the proposals.

I understand that the proposed new standard would update the PCAOB’s standards in light of FASB’s revised accounting requirements for changes in accounting principles and error corrections. Importantly, these changes would enhance the auditor’s report by more clearly and consistently distinguishing between changes in accounting principles and corrections of material misstatements. While improving auditor reporting, these changes are not meant to fundamentally change the auditor’s existing responsibilities. I support this proposed new standard and related amendments.
I also support the proposed amendments to remove the GAAP hierarchy from the PCAOB’s interim standards, I support this change in light of FASB’s proposal to incorporate the hierarchy into their accounting standards. Because the GAAP hierarchy identifies the sources of accounting principles, I agree that it is more appropriately placed within FASB’s standards. If the Board approves this proposal, I encourage staff to coordinate this work with FASB.