



June 19, 2014

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

**EXECUTIVE DIRECTOR**

Cynthia M. Fornelli

**GOVERNING BOARD**

Chairman  
Robert E. Moritz, Chairman and Senior Partner  
PricewaterhouseCoopers LLP

Vice Chair  
Charles M. Allen, CEO  
Crowe Horwath LLP

Vice Chair  
Harvey J. Goldschmid, Dwight Professor of Law  
Columbia University

Joe Adams, Managing Partner and CEO  
McGladrey LLP

Wayne Berson, CEO  
BDO USA, LLP

Stephen Chipman, CEO and Executive Partner  
Grant Thornton LLP

Joe Echevarria, CEO  
Deloitte LLP

Michele J. Hooper, President and CEO  
The Directors' Council

Stephen R. Howe, Jr., Managing Partner  
Ernst & Young LLP

Barry C. Melancon, President and CEO  
American Institute of CPAs

Lynn S. Paine, John G. McLean Professor of  
Business Administration, Senior Associate Dean  
for Faculty Development  
Harvard Business School

John B. Veihmeyer, U.S. Chairman and CEO  
KPMG LLP

**Re: PCAOB Rulemaking Docket Matter No. 034: Proposed Auditing Standards on the Auditor's Report and the Auditor's Responsibilities Regarding Other Information and Related Amendments**

Dear Office of the Secretary:

The Center for Audit Quality ("CAQ") is an autonomous public policy organization dedicated to enhancing investor confidence and public trust in the global capital markets. The CAQ fosters high quality performance by public company auditors, convenes and collaborates with other stakeholders to advance the discussion of critical issues requiring action and intervention, and advocates policies and standards that promote public company auditors' objectivity, effectiveness and responsiveness to dynamic market conditions. Based in Washington, D.C., the CAQ is affiliated with the American Institute of Certified Public Accountants.

The CAQ continues to support the Public Company Accounting Oversight Board's ("PCAOB" or "the Board") efforts to update and enhance the auditor's reporting model. In our January 30, 2014 and December 11, 2013 comment letters submitted in response to the PCAOB's proposed auditor reporting standard and proposed other information standard (collectively, the "proposals"), we indicated that we would share with the PCAOB the results of a collaborative effort by members of the public accounting profession to field test certain aspects of the proposals. This field-testing initiative has been completed, and we have prepared the following summary of the observations and related recommendations for the PCAOB's consideration. We have organized our letter into the following sections:

- I. Executive Summary
- II. Objectives of Field Testing
- III. Composition of Field Testing
- IV. Critical Audit Matters Field Testing
- V. Other Information Field Testing
- VI. Conclusion
- VII. Appendices
  - A. Distribution of Market Capitalization for CAM Field Testing
  - B. Primary Industry Classification for CAM Field Testing
  - C. Potential CAMs by Market Capitalization Group

We believe the information in this letter may be helpful to the PCAOB as it continues to evaluate and develop the proposals.

## **I. Executive Summary**

The CAQ commends the PCAOB for considering the results of outreach conducted and the comment letters received from the CAQ and others in advancing the proposals. As described in greater detail below, results from the field-testing initiative identified areas within the proposals where there may be an opportunity for revision and refinement.

With respect to critical audit matters (“CAMs”) field testing, certain enhancements could be made to the proposed auditor reporting standard that we believe would make it more operational in practice and more aligned with the PCAOB’s stated objectives for this aspect of the proposals.

First, we believe the process of determining CAMs could be made more effective and efficient by refining the sources and factors to be considered when determining whether a matter is a CAM to focus only on matters communicated to the audit committee. In addition, an explicit requirement to include the concept of materiality, as a relevant consideration in CAM determination, would be constructive and help auditors finalize the list of potential CAMs to those matters ultimately determined to be a CAM.

Second, the field testing noted that some audit engagement teams believed they should document all items identified through application of paragraphs 8 or 9, while others only documented the matters that they determined to be actual CAMs. Additional clarification regarding how an auditor would effectively document why certain matters identified in the process were ultimately not determined to be CAMs would help mitigate the diversity in application that was observed in our field testing.

Finally, with respect to the communication of CAMs in the auditor’s report, the field testing noted diversity in the length, detail and range or specific subject matters covered in CAM communications. Therefore, we believe the Board should consider clarifying how an auditor would effectively communicate those factors that were most important to the determination that a matter was a CAM.

With respect to the topic of other information (“OI”), feedback from the field testing indicated that the use of the term “evaluate” will likely give rise to additional work by auditors, compared to current practice, and that there is uncertainty and diversity of views as to what is required. If it is the Board’s intent to capture what is currently being done in practice today, the Board might consider clarifying “evaluate” by providing a more specific identification of the nature and extent of procedures to be performed on the OI. Additionally, it may be helpful for the Board to consider the direction of the International Auditing and Assurance Standards Board (“IAASB”) related to their re-proposal of International Standard on Auditing (“ISA”) 720 (revised), *The Auditor’s Responsibilities Relating to Other Information*,<sup>1</sup> which would require, among other matters, the auditor to perform only limited procedures to evaluate the consistency of the OI with the financial statements.

## **II. Objectives of Field Testing**

The objectives of our field-testing initiative were to:

1. Provide first-hand observations from accounting firms about the effects of the proposals. Secondly, observations from management and audit committees were obtained; however our field-testing initiative was not able to solicit the perspectives of the investor community.
2. Develop perspectives on ways the proposals could be implemented and might be improved.

---

<sup>1</sup> See IAASB ISA 720 Re-Proposal ([link](#))

Participants<sup>2</sup> in our field-testing initiative focused their efforts on testing the Board's proposals as drafted. We believe the results of the field testing could be helpful to the Board by providing additional insights regarding whether the proposals would be operational in practice and the incremental time and effort that may be involved in implementing the proposals.

### III. Composition of Field Testing

Nine registered public accounting firms ("accounting firms"), of various sizes, participated in the CAQ's CAM field testing and six accounting firms participated in the OI field testing. The national offices of these accounting firms were provided with suggested criteria or characteristics for selecting field-testing participants. The issuers selected to participate in the field testing initiative consisted primarily of fiscal year 2012 audits of domestic SEC issuers of various sizes and a broad range of industries. There were no Emerging Growth Companies in the field testing. See Appendices A and B for additional information related to issuers participating in the CAM field testing.

Field testing of the proposed auditor reporting standard as it relates to CAMs included 51 audit engagements. Field testing of the proposed other information standard included 15 audit engagements. Additional input related to the proposed other information standard was obtained from five audit partners.

When selecting participants for OI field testing, the accounting firms were asked to consider the degree of complexity associated with "other information" as a result of factors such as, but not limited to, the nature, extent or number of schedules, exhibits and other information included in the Form 10-K (including information incorporated by reference). In some cases, participants selected for OI field testing were different from those participants selected for CAM field testing.

Audit engagement teams were provided with instructions by their respective national offices on how to execute the field-testing initiative, as well as a standard template that was used to summarize their observations. The national offices were responsible for selection of issuers and oversight of the field-testing process, including analyzing and communicating observations from the field testing to the CAQ. In addition to the involvement of the audit engagement teams, the field-testing initiative involved interaction with the respective audit committees and management in order to obtain their perspectives on the CAMs identified and the related proposed CAM communications portion of the auditor's report.

### IV. Critical Audit Matters Field Testing

The CAQ observed a number of trends in the feedback received from the accounting firms regarding areas where the proposed auditor reporting standard could provide more clarity, make it more operational in practice, and help avoid unintended consequences. Based on the results of the CAM field testing, we have the following observations:

- CAM Determination:
  - Source of CAMs – Potential CAMs identified through the application of paragraph 8 of the proposed auditor reporting standard resulted in duplication and a broad population of matters. In many instances, the inventory of potential CAMs was substantial, and in some cases the same matters were identified through application of each of the three sources included in paragraph 8. Audit engagement teams observed that using matters communicated to the audit committee as the only source for identification of CAMs

---

<sup>2</sup> The term "participants" is used throughout this letter to reference those issuers who volunteered to participate in the field-testing initiative, their respective audit committees and management, and the respective audit engagement teams.

might be more effective and may result in the identification of those matters important to the audit in a more effective and efficient manner.

- Use of CAM Factors – The factors in paragraph 9 of the proposed auditor reporting standard were inconsistently applied due to the lack of clarity regarding how an auditor should refine the number of potential CAMs to those that are determined to be CAMs (“actual CAMs”), particularly when considering the broad initial population derived from the sources in paragraph 8.
- CAM Communication – There were inconsistencies in applying the proposed auditor reporting standard when communicating CAMs. For example, the length of the CAM descriptions ranged from one sentence to several paragraphs.
- CAM Documentation – There was confusion among audit engagement teams related to the requirements (including which matters would require documentation and how they should be articulated in the workpapers) for documenting those matters that were initially considered potential CAMs, but which ultimately were determined not to be actual CAMs.
- Additional Time and Effort – Feedback from audit engagement teams, as well as management and audit committees, was that the additional time and effort was likely to be incurred during the completion phase of the audit by senior members of the audit engagement teams. Additionally, while it is clear that incremental time will be required to implement this aspect of the proposals, it was challenging for audit engagement teams to estimate the specific level of additional time and effort required, as the field testing was performed on a retrospective basis and the effort will not be consistent with implementing in a live audit environment.

#### A. CAM Determination

One of the primary focus areas of our CAM field testing was to better understand how accounting firms would identify a potential CAM, and then refine the list of potential CAMs to those matters determined to be actual CAMs. Paragraph 9 of the proposed auditor reporting standard identifies CAMs as those matters that “(1) involved the most difficult, subjective or complex auditor judgments; (2) posed the most difficulty to the auditor in obtaining sufficient appropriate evidence; or (3) posed the most difficulty to the auditor in forming an opinion on the financial statements.” Paragraph 9 also provides a list of eight specific factors that the auditor should take into account in determining whether a matter is a CAM, but it does not explicitly require consideration of materiality.

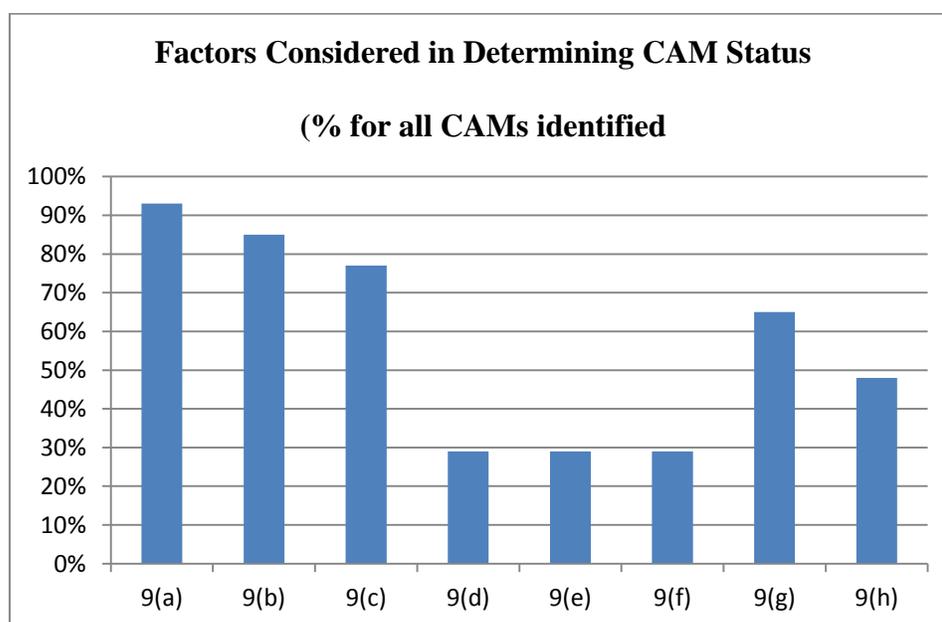
##### *i. Sources of CAMs*

The field testing observations suggest the paragraph 8 criteria for identifying CAMs should be revised to be aligned with communications and interactions on important matters with the audit committee and that this approach may provide a more effective and efficient method of determining CAMs. Audit engagement teams considered the population of matters included from all sources identified in paragraph 8 (i.e., engagement completion document, reviewed by the engagement quality reviewer, or communicated to the audit committee), and they indicated that 98% of the actual CAMs identified during the course of field testing were previously communicated to the audit committee.

ii. *Use of CAM Factors*

The factors in paragraph 9 of the proposed auditor reporting standard were also the subject of significant feedback from our field testing. In many cases, the accounting firms noted that the audit engagement teams considered materiality<sup>3</sup> (for example, whether a matter was itself material, or was likely to give rise to a material misstatement in relation to the financial statements taken as a whole) in determining whether a potential CAM should be an actual CAM. A number of accounting firms recommended that the process for determining a CAM should explicitly include the concept of materiality.

Observations from field testing also suggested that certain factors listed in paragraph 9 were more relevant in determining whether a matter was a CAM. In the event that multiple factors were used in the determination of a particular CAM, audit engagement teams were asked to report all factors that were used in the determination. As illustrated below, the three most common factors that led to the determination that a matter was a CAM were 9(a) (the degree of subjectivity involved in determining or applying audit procedures to address the matter or in evaluating the results of those procedures), 9(b) (the nature and extent of audit effort required to address the matter), and 9(c) (the nature and amount of available relevant and reliable evidence regarding the matter or the degree of difficulty in obtaining such evidence).<sup>4</sup> Additionally, for 100% of the CAMs where factors 9(d), 9(e), or 9(f) were identified, 9(a), 9(b), or 9(c) were also determining factors and for 98% of CAMs where 9(g) or 9(h) were identified, 9(a), 9(b), or 9(c) were also determining factors.



Accounting firms also questioned whether there were some matters that should presumptively be considered a potential CAM (e.g., significant risk of material misstatement or matters addressed by an issuer's critical accounting estimates in MD&A). The proposed auditor reporting standard does not explicitly address such matters and we believe the Board should clarify that not all significant risks of material misstatement (e.g.,

<sup>3</sup> It appears the only time the concept of materiality is implied to be a factor in the proposed auditor reporting standard, is in one of the illustrative communications in appendix 5.

<sup>4</sup> Other factors listed in paragraph 9 of the proposed auditor reporting standard are: 9(d) – The severity of control deficiencies identified relevant to the matter, if any; 9(e) – The degree to which the results of audit procedures to address the matter resulted in changes in the auditor's risk assessments, including risks that were not identified previously, or required changes to planned audit procedures, if any; 9(f) – The nature and significance, quantitatively or qualitatively, of corrected and accumulated uncorrected misstatements related to the matter, if any; 9(g) – The extent of specialized skill or knowledge needed to apply audit procedures to address the matter or evaluate the results of those procedures, if any; and 9(h) – The nature of consultations outside the engagement team regarding the matter, if any.

management override and presumed risk of fraud in revenue recognition) or matters identified as critical accounting estimates should be presumed to be CAMs, as this determination should be based on the facts and circumstances specific to each issuer.

Another trend identified by the field testing was that, in many cases, the audit engagement teams initially identified a large number of potential CAMs, which were then narrowed to a much smaller number of actual CAMs. Additionally, some of the audit engagement teams noted that the criteria in paragraphs 8 and 9 made it difficult to document the rationale for matters that were potential CAMs, but not deemed to be actual CAMs. These numbers varied significantly from engagement to engagement, with the number of potential CAMs per issuer ranging from one to forty-five, while the number of actual CAMs per issuer ranged from zero to eight. See Appendix C for additional information on potential CAMs and actual CAMs by issuer and market capitalization. As noted above, we believe focusing the source for identifying CAMs only to matters communicated to the audit committee and incorporating the concept of materiality into the CAM determination could help to appropriately focus the auditors' attention on those matters that would be the most critical.

The field testing also identified a lack of clarity as to whether CAMs are only meant to be matters related to accounting and financial reporting, or if they would also include matters related to the conduct of the audit or the auditor. While these matters are related, some audit engagement teams expressed confusion as to how certain matters important to the planning of the audit should be considered in the determination of CAMs. For example, questions were raised as to whether matters such as audit scoping considerations or matters related to auditor independence should be considered "critical." Although these do not appear to meet the definition of a CAM, some audit engagement teams considered these matters to be CAMs. This suggests that additional clarification in this area may be useful in avoiding inconsistent application of the final auditor reporting standard.

### *iii. Judgment*

Accounting firms observed that there could be different perspectives and viewpoints among the various audit engagement teams involved in the determination of CAMs. For example, some potential CAMs might not have been determined to be actual CAMs despite the presence of several of the paragraph 9 factors, while other potential CAMs were determined to be actual CAMs even though only one of the paragraph 9 factors was present. One of the key considerations noted by accounting firms in connection with addressing such situations was whether the matter related to a "material" item. For example, accounting firms noted that some matters appeared to meet the definition of a CAM, but were not included as a CAM based on relative materiality to the financial statements taken as a whole.

In addition, other considerations identified by the field testing (relative to the determination of CAMs) were the level of effort and judgment involved in the audit procedures and whether the item was already identified by management as a critical accounting estimate. Some audit engagement teams identified all areas that involved extensive audit effort as CAMs, while other teams considered not only the time spent auditing an area, but also the judgments involved when auditing those areas. Some audit engagement teams also considered those areas that management identified as critical accounting estimates as CAMs. Therefore, it may be possible to reach different conclusions as to whether or not a potential CAM is an actual CAM, given a similar set of facts and circumstances.

We applaud the Board's efforts to develop professional standards that allow for the use of professional judgment. However, as noted above, we believe that diversity in application of the proposed auditor reporting standard may arise and could lead users to draw inappropriate inferences about the issuer. Based on the results of the field testing, this is an area where further consideration from the Board could be helpful.

## B. CAM Communication

The field-testing initiative highlighted two elements related to the communication of CAMs. The first is preparing the description of the CAM to be included in the auditor's report; the second is discussing that description with the issuer's management and audit committee.

### *i. Description of CAMs*

Most of the audit engagement teams used the examples provided in the proposed auditor reporting standard as the starting point for drafting the communication of the CAM. Most accounting firms indicated that, in general, their CAM descriptions were similar to the PCAOB examples in format and approach. However, in a number of cases the length of the description of CAMs on similar topics varied significantly, not only between accounting firms, but also between participating audit engagement teams within the same firm. One accounting firm noted that a majority of the CAM descriptions included information that was duplicative of information included in management's disclosure of critical accounting estimates. Additionally, accounting firms indicated that some CAM descriptions included "original" information,<sup>5</sup> however due to the subjective nature of this determination, measuring the number of CAMs in the field-testing initiative that included "original" information proved challenging.

### *ii. Discussions with Management and the Audit Committee*

The other element of communicating CAMs involved discussions with management and the audit committee regarding the determination of and language used to describe the CAMs. Most of the accounting firms indicated that management and the audit committee voiced concern about the potential need for management to revise disclosures to respond to CAM descriptions that include "original" information about the issuer and to involve disclosure committees and outside counsel in the CAM process to evaluate these potential changes to the issuer's financial statements.

## C. CAM Documentation

While the objectives of the field testing did not include a detailed assessment of the relative time and effort of the documentation requirements regarding why a matter was not an actual CAM, field testing revealed that given the significant number (and range) of potential CAMs (compared to those determined to be actual CAMs),<sup>6</sup> there could be an unnecessary burden, in terms of effort and complexity. For example, some audit engagement teams interpreted the requirements of the proposed auditor reporting standard to be that if a matter was identified in any of the paragraph 8 sources, or met any of the paragraph 9 factors, documentation was required to justify why a matter was determined not to be a CAM.

Given the variation in the interpretation as to how audit engagement teams identified potential CAMs as well as the challenges inherent in making this determination, we recommend that the Board provide additional clarification regarding how an auditor should document why certain matters identified in the process were ultimately determined not to be CAMs. This clarification would also help mitigate the risk that the proposed auditor reporting standard is applied inconsistently.

---

<sup>5</sup> Original information is information about an issuer's financial statements and other financial information or its system of internal control over financial reporting that is the responsibility of the issuer's management to consider for disclosure (e.g., a new IT system implementation or control deficiencies that did not result in a material weakness).

<sup>6</sup> See Appendix C for additional information on potential CAMs and actual CAMs by issuer from the field testing.

#### D. Additional Time and Effort

On average, accounting firms, management, and audit committees believed that there is likely to be an increase in the audit effort, specifically as it relates to CAMs. For example, additional time incurred will most likely be related to initial implementation efforts, training, and ongoing monitoring. Expanded discussions with management and the audit committee may also require additional time and effort in a “live” audit environment versus the retrospective environment in which the field testing was conducted. Additionally, the time the accounting firms would incur to document the potential CAMs that were determined not to be actual CAMs may lead to on-going time and effort burdens (many audit engagement teams noted this would lead to additional time and effort, but did not actually complete the documentation during field testing).

Two additional observations related to the additional time and effort considerations are as follows:

- A majority of the additional time is likely to be incurred during the wrap-up phase of the audit, (i.e., once most of the audit work has been finalized, so that the auditor can determine what the actual CAMs are), despite efforts to start the process earlier in the audit. This could occur at a time when auditors, management and audit committees are focused on a number of other issues in connection with a particular filing, and the finalization of CAM communications may delay, or cause distractions in, the resolution of these issues.
- CAM related discussions with management and the audit committee are likely to involve senior members of the audit engagement team and may require national office consultations, thus requiring additional effort by key audit resources at the end of the audit.

Finally, many of the accounting firms expressed the view that the incremental time required may not decrease significantly in future years, given (1) that one of the stated objectives of the proposed auditor reporting standard is to avoid boilerplate descriptions and (2) the need to address new potential CAMs each year as a result of transactions or other changing business or financial reporting dynamics.

We continue to encourage the PCAOB to conduct a robust analysis of the costs and benefits of the proposed auditor reporting standard that addresses the potential effect on key stakeholders, including investors, issuers, audit committees, and accounting firms. In addition, we believe the changes suggested in the CAQ’s previous comment letters on the proposed auditor reporting standard will retain or increase the benefits expected to be realized while helping to reduce the associated costs.

#### V. **Other Information Field Testing**

OI field testing resulted in two primary areas of observation. First, the specific scope of responsibility of the auditor was not clear to the audit engagement teams. Many audit engagement teams stated that it is unclear whether the term “evaluate” is a higher threshold than the term “consider” as used in current guidance. Some audit engagement teams thought the scope of the proposed other information standard may require auditors to perform a number of additional procedures, while other audit engagement teams thought the scope was not substantially different from current practice under AU 550, *Other Information in Documents Containing Audited Financial Statements*. Consistent with our prior comment letters, we believe clarification of the procedures to be performed would help mitigate the confusion and potential diversity in the application of any final standard.

Second, several of the accounting firms participating in the OI field testing expressed concern about the ambiguity of the information that may be included in the scope of OI, the procedures to be performed related to this information, and the related documentation required. Accounting firms noted that it was not entirely

clear whether the proposed other information standard required firms to evaluate the OI based on information they had already received in connection with the audit, or whether they would be required to gather additional information to support the OI. Most audit engagement teams, however, noted their belief that the level of effort necessary to document compliance with the proposed other information standard's performance requirements is an increase from what is required today.

We believe it would be helpful for the Board to clarify the procedures to be performed or consider the IAASB re-proposal that requires the auditor to read the OI and 1) consider whether there is a material inconsistency between the OI and the financial statements by performing limited procedures to "evaluate" the consistency between the OI and the financial statements, 2) consider whether there is a material consistency between the OI and the auditor's knowledge obtained during the course of the audit, and 3) remain alert for other indications that the OI appears to be materially misstated.

## VI. Conclusion

The CAQ supports the Board's ongoing initiatives to update and improve the auditor's reporting model and believes these field-testing observations provide insight into implementation of the proposals and identify some areas for the Board's continuing consideration. Although some of the observations from the field testing may not align with initial feedback from other initiatives to enhance auditor reporting around the globe, we believe it is important to consider the uniqueness of both the regulatory and oversight environments in the United States.

As it relates to CAMs, certain of the observations and suggestions noted above may mitigate some of the challenges identified. In particular, (1) focusing the source of CAMs only to those matters communicated to the audit committee may be more effective and efficient, (2) explicitly including materiality relative to the financial statements as a factor to be considered in the determination of CAMs may help with the consistent communication of CAMs that are considered "most difficult" and more consistent with the issuer's disclosure framework, (3) additional clarification appears to be needed regarding how an auditor would effectively document why certain matters identified in the process were not ultimately determined to be CAMs, and (4) clarification regarding how an auditor would effectively communicate those factors that were most important to the determination that a matter was a CAM would help to promote consistent application.

With respect to field testing of OI, there was uncertainty as to whether "evaluate" is a higher threshold than the extant standard, which may lead to challenges in the consistency of application by auditors and the interpretation of this term by users of the financial statements. We believe it may be helpful for the Board to consider the direction the IAASB is pursuing with the re-proposal of ISA 720 (revised), in defining the auditor's responsibilities in this area.

Finally, we encourage the PCAOB to consider a phased transition of the final standards based on the size of the issuer. Larger issuers and their auditors generally will have the resources necessary to more timely address the requirements of the new standards. While we ultimately support implementation by all issuers, we believe, a phased transition based on the size of the issuer will also allow smaller issuers and their auditors to benefit from the experiences of larger issuers. If the Board were to consider a phased transition, it could look to the experiences of the United Kingdom's Financial Reporting Council (FRC) as a starting point. When the FRC amended International Standard on Auditing (UK and Ireland) 700, *The Independent Auditor's Report on Financial Statements* ("ISA (UK and Ireland) 700"), it required that audits of only a specified group of large issuers<sup>7</sup> adopt the amendments. Panelists at the PCAOB's roundtable<sup>8</sup> spoke favorably of the ISA (UK and Ireland) 700 adoption requirements.

<sup>7</sup> Only FTSE 350 companies and companies that voluntarily follow the UK Corporate Governance Code are currently required to apply the new provisions of ISA (UK and Ireland) 700.

<sup>8</sup> The PCAOB hosted a public roundtable on April 2-3, 2014 to obtain further input from constituents on the proposals.

\*\*\*\*

We continue to appreciate the opportunity to provide additional input on the proposals, and would be pleased to discuss our comments or answer any questions that the PCAOB staff or the Board may have regarding the information provided in this letter.

Sincerely,



Cynthia M. Fornelli  
Executive Director  
Center for Audit Quality

cc:

PCAOB

James R. Doty, Chairman  
Lewis H. Ferguson, Board Member  
Jeanette M. Franzel, Board Member  
Jay D. Hanson, Board Member  
Steven B. Harris, Board Member  
Martin F. Baumann, Chief Auditor

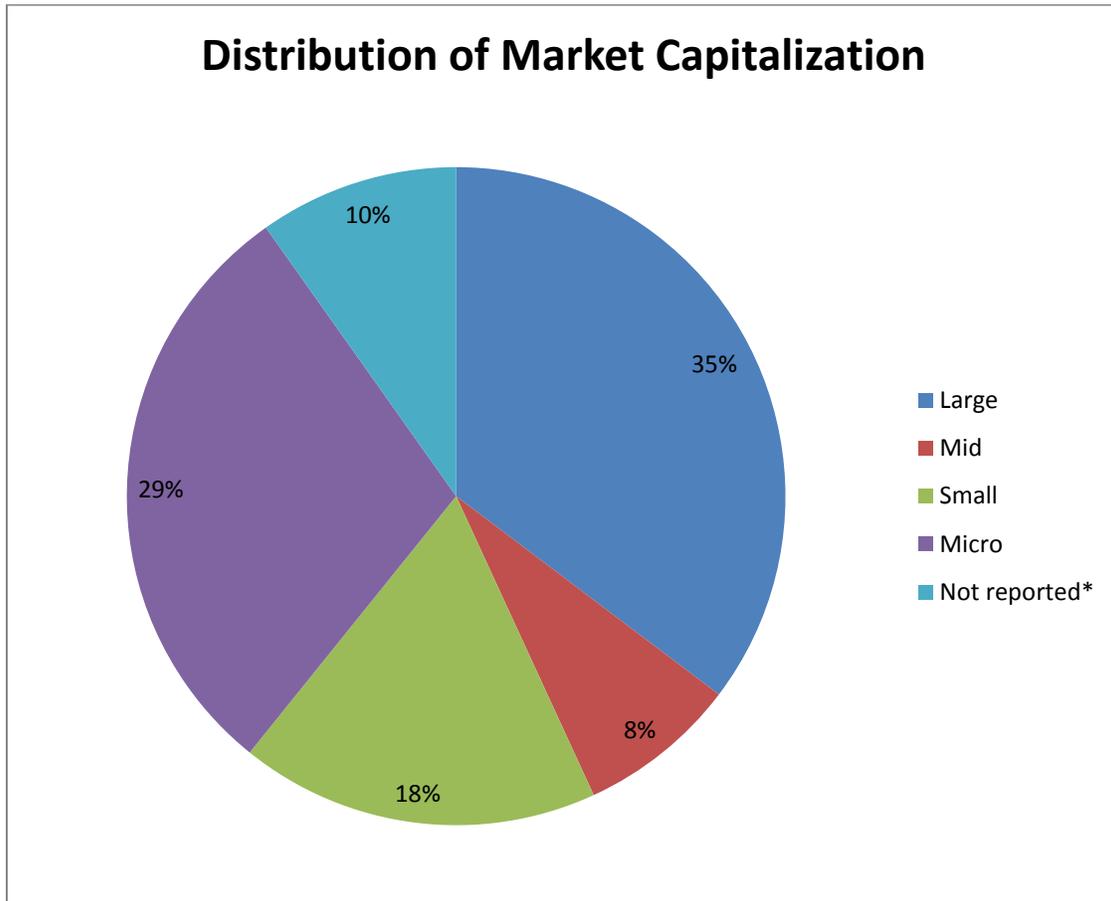
SEC

Mary Jo White, Chair  
Luis A. Aguilar, Commissioner  
Daniel M. Gallagher, Commissioner  
Michael S. Piwovar, Commissioner  
Kara M. Stein, Commissioner  
Paul A. Beswick, Chief Accountant  
Brian T. Croteau, Deputy Chief Accountant  
Julie Erhardt, Deputy Chief Accountant  
Daniel Murdock, Deputy Chief Accountant

IAASB

Prof. Arnold Schilder, Chair  
James Gunn, Managing Director, Professional Standards

**Appendix A – Distribution of Market Capitalization for CAM Field Testing<sup>9</sup>**



\*Some accounting firms opted not to provide this data as they believed it could lead to the issuer being identified.

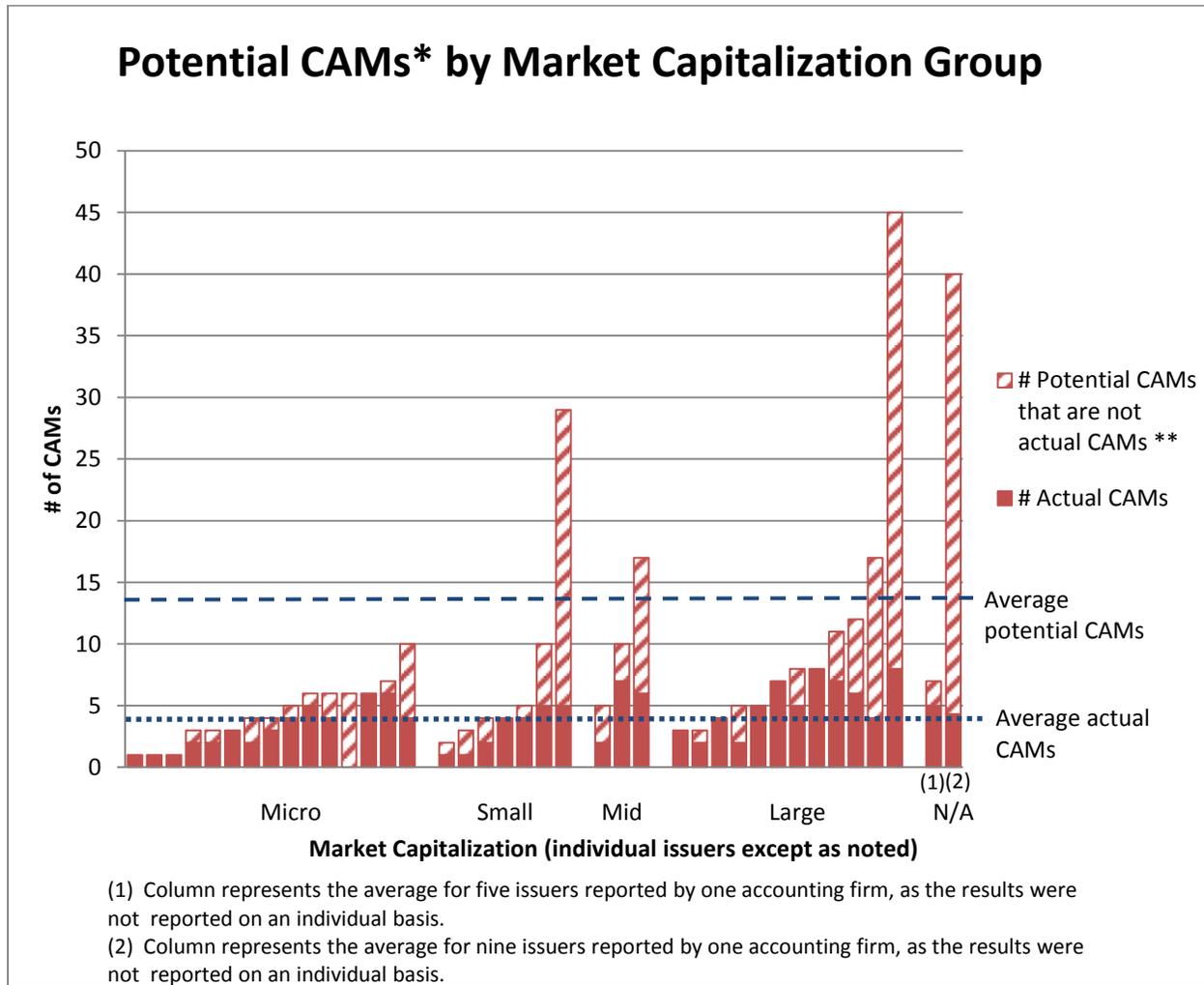
<sup>9</sup> Large-cap companies are those whose market capitalization value is more than \$10 billion, mid-cap companies are those whose market capitalization value is between \$2 billion and \$10 billion, and small-cap companies are those whose market capitalization value is between \$250 million and \$2 billion. Micro-cap companies are those with a market capitalization value of less than \$250 million.

**Appendix B – Primary Industry Classification for CAM Field Testing**

<b>Industry</b>	<b>Number of Issuers</b>
Industrial & Consumer Goods	8
Financial Services	8
Pharmaceuticals & Biotech	6
Oil & Gas	4
Technology	4
Retail	3
Communications and Electronic Components	2
Professional Services	2
Real Estate Investment Trusts	2
Healthcare	1
Life Sciences	1
Publishing Services	1
Not Reported*	9
<b>Total</b>	<b>51</b>

\*Some accounting firms opted not to provide this data as they believed it could lead to the issuer being identified.

**Appendix C – Potential CAMs by Market Capitalization Group**



\* “Potential CAMs” represents the entire population of matters considered in the process to determine CAMs, including those matters determined to be actual CAMs.

\*\* “Potential CAMs that are not actual CAMs” represents the population of matters considered in the process to determine, CAMs but are determined not to be an actual CAM.