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- About IFAC
- Media Center
- Exposure Drafts
- Compliance Program
- Standards and Guidance
- IFAC Boards and Committees
- IFAC Task Forces
- Forum of Firms
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- Bookstore
- Publication Policies

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- Search Web Site
- Contact IFAC
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AICPA, AAA and IAASB Launch Research Project to Better Understand Users' Perceptions of the Auditor's Report on Financial Statements

(New York/August 9, 2006) -- The American Institute of Certified Public Accountants (AICPA), the American Accounting Association (AAA), and the International Auditing and Assurance Standards Board (IAASB) have joined forces to launch a research initiative that will provide a better understanding of users' perceptions of the financial statement audit and the auditor's report. The research is intended to independently examine the perceptions of users of financial statements in countries around the world.

A "[Request for Proposal](#)" is being issued this week, soliciting academic research to identify and provide information about such perceptions.

The AICPA's Auditing Standards Board (ASB) has a current project to consider whether the auditor's report should be revised. The IAASB recently completed a project in this regard. The new research findings will provide important information that can be used as a basis for any future revisions to the auditor's report.

"Anecdotal evidence points to financial statement users not consistently understanding communications in an unqualified auditor's report, but there's little rigorous evidence to support the anecdotal observations," points out Douglas F. Prawitt, Chair of the ASB's Audit Report Research Task Force and Glen Ardis Professor of Accountancy at Brigham Young University. "This project should provide the required information, as well as anchor any effective modifications necessary to clarify the communication of information to financial statement users."

Mark Beasley, President of the AAA Auditing Section and a professor at North Carolina State University, explains, "We are thinking globally with this project. The plan is for the ASB to select one or more proposals to examine U.S. perceptions and the IAASB to select one or more proposals to examine perceptions internationally. We envision that, once the selected projects are completed, the ASB and IAASB will fund additional research to identify and explore ways in which the auditor's reports might be revised to communicate more clearly and to address identified user misperceptions."

IAASB Technical Director Jim Sylph emphasizes the public interest benefit of the project: "The interests of all stakeholders will be better served if any gaps between users' understanding and the intended meaning of the auditor's report, including the level of assurance that can reasonably be derived from a financial statement audit, can be identified and addressed."

Research proposals must be submitted by October 2, 2006 to Sharon Walker, Technical Manager, Audit and Attest Standards, AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775. The "Request for Proposal" may be downloaded from the IAASB home page at www.iaasb.org.

The ASB and IAASB will fund between US\$10,000 and \$20,000 for each project. Researchers are required to submit a summary of results to the ASB and IAASB by October 1, 2007, with a more detailed report to be provided to the Boards by January 7, 2008. The summary should be tailored toward practitioners, rather than readers of an academic journal. Researchers will have the right to publish the research, so long as the Boards are given appropriate credit for research support provided.

The American Institute of Certified Public Accountants (www.aicpa.org) is the national, professional association of CPAs, with approximately 330,000 members, including CPAs in business and industry, public practice, government, and education. It sets ethical standards for the profession and U.S. auditing standards for audits of

private companies; federal, state and local governments; and non-profit organizations. It also develops and grades the Uniform CPA Examination.

The American Accounting Association (<http://aaahq.org>) promotes worldwide excellence in accounting education, research and practice. Founded in 1916 as the American Association of University Instructors in Accounting, its present name was adopted in 1936. The Association is a voluntary organization of persons interested in accounting education and research.

The IAASB (www.iaasb.org) is an independent standard-setting board within the International Federation of Accountants. Its objective is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession. The Public Interest Oversight Board oversees the activities of the IAASB and, as one element of that oversight, establishes the criteria for its due process and working procedures.

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