

---

**Frequently Asked Questions**  
**The Accounting Support Fee and the Funding Process**

**April 27, 2006**

---

These frequently asked questions set forth the staff's opinions on issues related to the implementation of the Public Company Accounting Oversight Board's ("PCAOB" or "Board") funding rules. The statements contained in these frequently asked questions are not rules of the Board, nor have they been approved by the Board.

- ***General FAQs***
- ***Payment FAQs***
- ***Issuer-Specific FAQs***
- ***Confirmation FAQs***

**General FAQs**

**1. What issuers are subject to the accounting support fee?**

Pursuant to the PCAOB's Rule 7101, Equity Issuers and Investment Company Issuers are subject to the accounting support fee. Equity Issuers are publicly traded companies with average monthly equity market capitalization, based on all classes of common stock, greater than \$25 million during the prior calendar year. The Board uses market capitalization information from a nationally recognized market-data source.

Investment Company Issuers are registered investment companies and issuers that have elected to be regulated as business development companies with average monthly market capitalization or net asset value greater than \$250 million during the prior calendar year.

## **FAQs**

### **2. How is the accounting support fee calculated?**

Equity Issuers and Investment Company Issuers are allocated a share of the accounting support fee based on their relative average monthly U.S. market capitalizations. The issuer's share is its average monthly U.S. market capitalization during the preceding calendar year, divided by the sum of the average monthly U.S. market capitalization of all Equity and Investment Company Issuers. For the purposes of this allocation, however, the market capitalization of an investment company issuer will be 10 percent of the investment company's actual market capitalization or net asset value.

### **Payment FAQs**

### **3. If I pay my invoices online, is the payment processing system secure?**

The payment processing system utilizes a third-party payment provider to process payment transactions. The payment provider's system was created to address issues of confidentiality, data integrity, non-repudiation, and auditability utilizing industry standard 128-bit encryption, data integrity checking, and logging.

### **4. If I pay my invoices online, will a receipt or confirmation of payment be provided?**

Yes. The payment Web site provides an Accounting Support Fee Payment Receipt page that provides the amount paid, a transaction number and date. Please note that these transactions may take 3-4 business days to clear your bank account. This receipt, assuming it is for the full amount invoiced, along with proof of debit from your bank account, constitutes confirmation of your payment. Please see Questions 13 through 23 for issues relating to confirmation of payment of the accounting support fee by registered accounting firms.

## FAQs

### Issuer-Specific FAQs

**5. I believe the records maintained by my company regarding my company's shares outstanding are more accurate than those used by the PCAOB. If I provide that data to the PCAOB, may I have my company's share of the accounting support fee recalculated using that data?**

No. Because the accounting support fee is allocated among some 10,000 issuers, the PCAOB primarily relies on the number of shares outstanding as disclosed by each issuer in its most recent periodic filing with the Securities and Exchange Commission. This is a reliable source of data for calculating the accounting support fee allocation because the data it contains is both readily available and required to be truthful under penalty of law. In addition, it provides a common basis among the issuer population for determining the combined market capitalization of all issuers.

**6. My company went public during the preceding calendar year. Will its monthly market capitalization be considered \$0 for those months prior to the completion of the IPO?**

No. As required by the PCAOB's funding rules, the PCAOB uses issuers' average monthly market capitalization during the preceding calendar year as a proxy for determining the size of an issuer for purposes of allocating the current year's accounting support fee. Accordingly, the PCAOB uses the monthly market capitalization for only those months of the preceding calendar year that the company was an "issuer" and therefore had shares outstanding and public share price data available. Therefore, in some situations the average monthly market capitalization will be based on fewer than the full 12 months.

**7. My company completed a "going-private" transaction, was acquired or otherwise ceased being a publicly traded company *after the date the accounting support fee was calculated*. Do we still have to pay?**

Yes. For 2006, the accounting support fee was calculated on April 13, 2006. Under the PCAOB's funding rules, all companies that were "issuers," as that term is defined in the

## FAQs

Sarbanes-Oxley Act of 2002 and the PCAOB's rules, as of that date were subject to the accounting support fee (assuming they met the market capitalization threshold and were not otherwise a type of issuer that is exempt from the fee). The fact that the entity undergoes a going-private transaction, is acquired, or otherwise ceases being publicly traded after that date does not relieve the issuer of its responsibility for a share of the accounting support fee.

**8. My company completed a "going-private" transaction, was acquired or otherwise ceased being a publicly traded company *before the date the accounting support fee was calculated*. Do we still have to pay?**

No. For 2006, the accounting support fee was calculated on April 13, 2006. For purposes of allocating the accounting support fee among issuers, only those entities that were "issuers," as that term is defined in PCAOB Rule 1001(i)(iii), as of that date were allocated a share of the fee pursuant to the formula set forth in Rule 7101(b). If you believe your company was not an "issuer" on that date and received an invoice in error, please contact the PCAOB at [pcaob@usbilling.com](mailto:pcaob@usbilling.com).

**9. If an entity files periodic reports with the Securities and Exchange Commission on a strictly voluntary basis, will it be considered an "issuer" under the Sarbanes-Oxley Act and the rules of the Board for purposes of determining whether it must pay a share of the accounting support fee?**

No. If an entity voluntarily files periodic reports with the SEC, the entity is likely not an "issuer" for purposes of allocating the accounting support fee and will not, therefore, be allocated a portion of the fee. An entity that makes periodic filings with the Commission only pursuant to a requirement contained in its bond indenture would be an example of such a voluntary filer. This situation must be distinguished from one in which a company *voluntarily registers* securities with the SEC. In this situation, the issuer is required to file periodic reports and may, if it otherwise satisfied the requirements of PCAOB Rule 7101, be allocated a share of the accounting support fee.

## FAQs

**10. If an issuer was subject to the jurisdiction of a bankruptcy court on the date the accounting support fee was calculated and satisfied the modified reporting requirements of Commission Staff Legal Bulletin No. 2, must it pay a share of the accounting support fee?**

No. Under Rule 7101(a)(3), any issuer that was, as of the date the accounting support fee was calculated, subject to the jurisdiction of the bankruptcy court and that satisfied the modified reporting requirements of *Securities and Exchange Commission Staff Legal Bulletin No. 2*, was placed into a class of issuers that is allocated a share of the accounting support fee equal to \$0. For 2006, the accounting support fee was calculated on April 13, 2006. If you believe your company satisfied these criteria on that date and received an invoice in error, please contact the PCAOB at [pcaob@usbilling.com](mailto:pcaob@usbilling.com).

**11. For Canadian issuers, will the average monthly market capitalization calculation include all of their shares outstanding in both the United States and Canada?**

Yes. A number of Canadian companies have a single class of shares registered with the Securities and Exchange Commission that trades in both Canada and in the United States. For these issuers, the PCAOB's funding rules include all issued and outstanding shares in the class of shares that trades in the United States — regardless of whether the individual shares within that class were actually held or traded in the United States — in the calculation of the average monthly issuer market capitalization. Accordingly, the PCAOB calculated the share of the accounting support fees based on the total market capitalization of this class of stock, consistent with the calculation methodology used for all domestic U.S. equity issuers.

**12. For an issuer of "global shares," will the average monthly market capitalization calculation include all of the global shares outstanding?**

Yes. Global shares are a single class of shares registered with the Securities and Exchange Commission and traded in both the issuer's home country (typically Germany or Switzerland) and in the United States. Accordingly, for each global share issuer, the PCAOB included all of the issued and outstanding global shares, regardless of where

## FAQs

they were actually held or traded, in its calculation, consistent with the calculation methodology used for all domestic U.S. equity issuers.

### Confirmation FAQs

#### **13. How can I obtain a copy of the PCAOB's funding rules?**

The full text of the PCAOB's rules is available under "Rules of the Board" at [http://www.pcaobus.org/Rules/Rules\\_of\\_the\\_Board/index.aspx](http://www.pcaobus.org/Rules/Rules_of_the_Board/index.aspx). The funding rules are in Section 7 of the Rules.

#### **14. What do the PCAOB's rules require an auditor to do with respect to an issuer's share of the accounting support fee?**

PCAOB Rule 7103(b)(1) provides that a registered public accounting firm generally may not sign an unqualified audit opinion with respect to an issuer's financial statements, or issue a consent to include an audit opinion issued previously, unless the registered public accounting firm has ascertained that the issuer has no outstanding past-due share of the accounting support fee.

#### **15. Are there any exceptions to the auditor's requirement under Rule 7103(b)?**

There are three exceptions.

First, Rule 7102(c) allows an issuer, under certain circumstances, to petition for correction of its share of the accounting support fee. Rule 7103(b)(1) does not prohibit a registered public accounting firm from signing an unqualified opinion, or issuing a consent to include an audit opinion issued previously, with respect to the financial statements of an issuer who has an outstanding past-due share of the accounting support fee if that issuer has a petition for correction pending as to that outstanding share.

Second, PCAOB Rule 7103(b)(2) creates a one-time exception to take account of a situation in which an issuer may have a past-due share of the accounting support fee – including possibly through mistake, inadvertence, or confusion – at a time when, in order to access or preserve its ability to access the capital markets in a timely manner,

## FAQs

the issuer needs to submit a report to, or make a filing with, the Securities and Exchange Commission, for which the issuer needs such an opinion or consent. To avoid unnecessarily preventing issuers in these situations from having timely access to the capital markets, Rule 7103(b)(2) creates a one-time, time-limited exception to the prohibition in Rule 7103(b)(1).<sup>1/</sup> This exception may be invoked only once per assessment.

Third, until further notice, the Board will not enforce Rule 7103(b) against a registered public accounting firm that signs an unqualified audit opinion, or issues a consent to include an audit opinion issued previously, with respect to the financial statements of an issuer whose outstanding past-due shares of the accounting support fees of the PCAOB or the Financial Accounting Standards Board ("FASB") total less than \$50 each.

**16. If an issuer has paid its original share of the accounting support fee, but not interest due under the PCAOB's rules, may the auditor sign an unqualified opinion?**

Interest, which accrues from the date payment is past due, represents the time-value of the share that should have been paid and is therefore treated for purposes of Rule 7103 as part of the share of the accounting support fee. Accordingly, unless one of the exceptions described in the answer to Question No. 15 above applies, the auditor may not sign an unqualified opinion or issue a consent even if the only outstanding amount due relates to interest charged on the original amount due. For issuers that owe only interest, auditors should consider whether the third exception in Question No. 15 above applies. Under that exception, until further notice, the Board will not enforce Rule 7103(b) against a registered public accounting firm that signs an unqualified audit opinion, or issues a consent to include an audit opinion issued previously, with respect to the financial statements of an issuer whose outstanding past-due shares of the accounting support fees of the PCAOB or the FASB total less than \$50 each.

---

<sup>1/</sup> More details on how an issuer avails itself of this exception are in PCAOB Rule 7103(b)(2) and Note 2 to PCAOB Rule 7103(b). The exception provided by Rule 7103(b)(2) does not in any way modify the issuer's legal obligation to pay its assessed share of the accounting support fee.

## FAQs

### **17. How may an auditor ascertain that an issuer has no outstanding past-due share of the accounting support fee?**

Note 1 to PCAOB Rule 7103(b)(2) provides that a "registered public accounting firm may ascertain that an issuer has no outstanding past-due share of the accounting support fee by obtaining a representation from the issuer or a confirmation from the Board that no past-due share of the accounting support fee is outstanding."

### **18. How may I obtain a confirmation from the PCAOB?**

For issuers that have paid their accounting support fee invoices in full, the quickest way to obtain confirmation is through the Board's Web site. The PCAOB posts a list of issuers that have no outstanding past-due share of the accounting support fees of the PCAOB and the FASB. The list is available at [http://www.pcaobus.org/pcaob\\_fee.asp](http://www.pcaobus.org/pcaob_fee.asp). The PCAOB confirms, for purposes of Note 1 to PCAOB Rule 7103(b), that the issuers on this list have no outstanding past-due share of the accounting support fee. If an issuer is not on the list, you may still be able to obtain a confirmation from the PCAOB. See Question No. 20 below.

### **19. Is being listed on the confirmation list on the PCAOB's Web site sufficient to not preclude an auditor from signing an unqualified report under the PCAOB's rules?**

Yes. A registered public accounting firm may take the inclusion of an issuer on this list as PCAOB confirmation pursuant to Note 1 to PCAOB Rule 7103(b).

### **20. If an issuer is not on the list on the Web site, does that mean they have a past-due share of the accounting support fee?**

Not necessarily. Many issuers are not allocated a share of the accounting support fee of the PCAOB or the FASB under the Board's funding rules and therefore would not be on this list, even though they have no outstanding past-due share of the accounting support fee. In addition, a brief period of time may pass between when a payment is received by the PCAOB and when the list is updated to reflect that payment.



## FAQs

### **21. What can I do to ascertain payment if the issuer is not on the Web site list?**

If a registered public accounting firm cannot obtain a representation from the issuer or cannot confirm from the list on the Board's Web site that the issuer has no outstanding past-due share of the accounting support fee, the registered public accounting firm may contact the PCAOB by e-mail at [confirm@pcaobus.org](mailto:confirm@pcaobus.org).

### **22. Is a management representation sufficient to not preclude the auditor from signing an unqualified report?**

Yes. For a registered public accounting firm to comply with Rule 7103(b)(1), obtaining a representation from the issuer that the issuer has no outstanding past-due share of the accounting support fee is sufficient; the registered public accounting firm need not also obtain a confirmation from the Board that no past-due share of the accounting support fee is outstanding. The mere fact that an issuer is not on the Board's Web site confirmation list is not, in and of itself, a reason for a registered public accounting firm to believe that an issuer's representation is inaccurate.

### **23. If an issuer has received an invoice for a share of an accounting support fee, but that share is not yet due, may its auditor sign an unqualified audit report for that issuer?**

Yes, so long as there is no past-due share outstanding from a prior year. PCAOB Rule 7103(b)(1) provides that a registered public accounting firm generally may not sign an unqualified audit opinion with respect to an issuer's financial statements, or issue a consent to include an audit opinion issued previously, unless the registered public accounting firm has ascertained that the issuer has no outstanding past-due share of the accounting support fee. If an issuer's invoice for a share of the accounting support fee is not yet due, then the issuer has no outstanding past-due share of that year's accounting support fee.