

August 5, 2019

Sherry Hazel at [sherry.hazel@aicpa-cima.com](mailto:sherry.hazel@aicpa-cima.com).

Re: Amendments to The Description Of The Concept Of Materiality

Dear AICPA Auditing Standards Board:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the questions included in the above-referenced exposure draft.

1. Please provide your views on whether the wording of the amendments is consistent with the definition of materiality used by the U.S. judicial system and other U.S. standard setters and regulators. If the wording is not consistent, please identify the areas of inconsistency and suggest alternate wording.

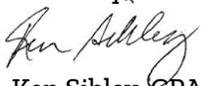
**Response:** The committee thinks that the wording of the amendments is consistent with the definition of materiality currently used by the U.S. judicial system and other standard setters, other than the International Accounting Standards Board (IASB). It appears that the Auditing Standards Board is adopting a U.S. approach to defining materiality rather than continue to use the IASB and International Auditing and Assurance Standards Board definition. It is unclear whether or not this direction was intentional, but it's not necessarily a negative presumption. Use of the word "would" instead of "might" as it relates to understanding of materiality narrows the field of consideration by the readers of the financial statements. The proposed amendments conform to generally accepted accounting principles currently in practice. The committee expressed overall support of the amendments.

2. Please provide your views on whether the proposed amendments will change how auditors determine materiality in an audit or attestation engagement. If the amendments would result in a change, how would the change affect those engagements?

**Response:** The committee thinks that the concept of materiality has always been subjective by nature and always has a function of professional skepticism. The committee believes that the proposed amendments should pose no challenge to current audit practices. Auditors have always considered the end users and readers of the financial statements when performing an audit and determining the appropriate levels of materiality. The only concern expressed by the committee was that the amendments may affect certain disclosures, such as related party transactions and subsequent events, by lowering the threshold considered to be material. From a litigation standpoint, the proposed amendments would place a higher burden of proof on plaintiffs, which the committee thinks will be beneficial to the profession.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,



Ken Sibley, CPA

Chair, Professional Standards Committee

Texas Society of Certified Public Accountants