PCAOB
Public Company Accounting Oversight Board

Board Adopts New Auditing Standard No. 6: Evaluating Consistency of Financial Statements

Washington, DC, January 29, 2008 – The Public Company Accounting Oversight Board today voted to adopt Auditing Standard No. 6, Evaluating Consistency of Financial Statements, and an accompanying set of amendments to the Board's interim auditing standards.

The Board adopted the standard and amendments in light of the Financial Accounting Standards Board's (FASB) issuance of Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections, and impending issuance of Statement of Financial Accounting Standards, The Hierarchy of Generally Accepted Accounting Principles.

The new standard and related amendments update the auditor's responsibilities to evaluate and report on the consistency of a company's financial statements and align the auditor's responsibilities with SFAS No. 154.

Auditing Standard No. 6 also improves the auditor reporting requirements by clarifying that the auditor's report should indicate whether an adjustment to previously issued financial statements results from a change in accounting principle or the correction of a misstatement.

The Board also removed the hierarchy of generally accepted accounting principles (GAAP) from its interim auditing standards. The GAAP hierarchy identifies the sources of accounting principles and the framework for selecting principles to be used in preparing financial statements. The Board believes that the GAAP hierarchy is more appropriately located in the accounting standards. Because the FASB intends to incorporate the hierarchy in the accounting standards, it no longer will be needed in the auditing standards. The Board has coordinated with the FASB and understands that the FASB intends to coincide the effective date of its GAAP hierarchy standard with that of the PCAOB.

“Auditing Standard No. 6 will improve the quality of the auditor’s reporting on items that affect the consistency of financial statements, such as a company’s adoption of new accounting principle or its correction of a material misstatement,” said Mark Olson, PCAOB chairman. “Investors should benefit from these improvements.”

Auditing Standard No. 6 and the amendments, if approved by the Securities and Exchange Commission (SEC), will become effective 60 days after SEC approval.

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