



**The Japanese Institute of
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JICPA Comments on the Proposed International Standard on Auditing, ISA 560 (Redrafted),
Subsequent Events

The Japanese Institute of Certified Public Accountants (“we”, “our”, “us,” and “JICPA”) is pleased to provide you with its comments on the Proposed International Standard on Auditing, ISA 560 (Redrafted), *Subsequent Events* (“Proposed ISA”). Based on our review, we have the following comments:

Requests for Specific Comments

1. Is the objective to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?

(Comment)

Yes, the objective to be achieved by the auditor is appropriate.

2. Have the criteria identified by the IAASB for determining whether a requirement should be specified been applied appropriately and consistently, such that the resulting requirements promote consistency in performance and the use of professional judgment by auditors?

(Comments)

Please see our “Other Comments” below.

3. Do you agree with the changes described above as being necessary to the clarity of the redrafted ISA, including whether considerations in the audit of small entities and public sector entities have been dealt with appropriately? In particular, do you have any comments on the

public sector issue requiring additional consideration described in the section on the considerations in the audits of small entities and public sector entities above?

(Comment)

Yes, we agree that the changes are helpful to the clarity of the redrafted ISA. We have no comment on the public sector issue.

4. Do you agree with the IAASB's proposed treatment of the issue in relation to the application of the proposed redrafted ISA 560 to securities offering documents as noted above?

5. Do you agree with the IAASB's treatment of the restriction of subsequent events procedures and dual dating of the auditor's report for amended financial statements?

(Comment)

The matters with regard to the accounting, disclosure and audit of subsequent events are likely to be affected by the local legal and regulatory requirements and are hardly devoid of exceptional treatments. If these treatments are included in the ISA "Requirements", ISAs would become complicated and would not be consistent with the purpose of the Clarity Project that aims to enhance the clarity of ISAs. Therefore, the audit treatments on subsequent events likely to be affected by the local legal and regulatory requirements should be left to the relevant jurisdictions rather than developed within the ISAs.

The treatments of subsequent events in relation to the securities offering (paragraph 20 of the extant ISA 560) and the procedures for the dual dating of the auditor's report (paragraph 11 of the Proposed ISA) are those that may be affected by the local legal and regulatory requirements. For this reason, we do not think that they should be included in the ISA "Requirements." As an alternative, we propose that the "Application and Other Explanatory Material" include the guidance that the auditor may take into account the audit treatments that may be affected by the local legal and regulatory requirements, including the treatments in relation to the securities offering and the dual dating of the auditor's report.

Other Comments

Paragraph 2

The second sentence of the paragraph refers to International Accounting Standard (IAS) 10. This sentence should be deleted, as the ISAs are framework-neutral.

Paragraphs 5(b) and (c)

As the extant ISA 700 only covers a complete set of general-purpose financial statements, it is appropriate that the dates are defined based on a complete set of financial statements. However, as the ISA 700 and ISA 800 that are under revisions cover a single financial statement in addition to a complete set of financial statements. It is necessary that the dates be defined based on all the statements that comprise the entity's financial statements rather than based on a complete set of financial statements:

“(b) ...The date on which those with the recognized authority assert that they have prepared all the statements that comprise the entity's financial statements ~~the entity's complete set of financial statements~~, including the related notes, and that ...”

“(c) ...Sufficient appropriate audit evidence includes evidence that all the statements that comprise the entity's financial statements ~~the entity's complete set of financial statements~~ have been prepared, and that ...”

Paragraph 7

While (d) is the audit procedure applicable to all cases, (a) to (c) are conditional requirements applicable only when the relevant information or procedure exists. To separate them clearly, we propose that (d) be placed in the first bullet.

Paragraph 11

As commented in the “5. Requests for Specific Comments” above, “Application and Other Explanatory Material” should provide guidance to the extent necessary, instead of elevating to “Requirements.”

Paragraphs A3, A4 and A5

In order to clearly link to requirements, “Application and Other Explanatory Material” should refer to the relevant specific requirement whenever possible. Therefore, paragraphs A3, A4, and A5 should refer to Paragraphs 6, 7(d), and 7, respectively.

In closing, we wish to express our appreciation for this opportunity to comment on this Proposed International Standard on Auditing and hope you will consider our comments.

Sincerely yours

Atsushi KATO

Executive Board Member - Auditing Standards

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