

Comments Received and Proposed Disposition on the Operations Policy No -1 Bold Type Lettering Exposure Draft

General Responses to Question (c) Is there general support for retaining the distinction between bold and ordinary lettering?

<i>Respondent</i>	<i>Comment</i>
ACCA	ACCA fully supports the use of bold type lettering to distinguish basic principles and essential procedures from explanatory and other material. Such a format allows appropriate flexibility in implementation and avoids an unwieldy, procedural, 'rule book' approach to standard setting.
AICPA	<p>The debate about bold type lettering has been going on for years. The real issue is not the typeface, but rather that there should be no ambiguity regarding the considerations and procedures that are required in a high-quality audit. We believe that the International Federation of Accountants must put into place a robust process to ensure interpretation of, and compliance with the standards in their entirety.</p> <p>There is anecdotal evidence that some constituents interpret the bold paragraphs as having more authority than the paragraphs in plain type. While this may be true, we do not believe that just eliminating the convention of the bold type lettering will improve compliance with the standards. Therefore, we do not object to the IAASB issuing standards that include paragraphs in bold type and paragraphs in plain type; however, we are concerned that there is still some confusion about the use of the two typefaces. We further note that the more that is said on the topic, the greater the confusion. ...We strongly urge that Operations Policy No. 1 – Bold Type Lettering, not be published.</p> <p>We believe that the message about the authority of the paragraphs in bold type and plain type would be clearer and stronger if the Preface clearly and simply stated that the paragraphs in bold type and the paragraphs in plain type have equal authority. We recommend the following language, which is taken from the Preface to the International Financial Reporting Standards:</p> <p>"Standards approved by the International Auditing and Assurance Standards Board include paragraphs in bold type and plain type, which have equal authority. Paragraphs in bold type indicate the basic principles."</p>
AuASB	<p>The AuASB firmly supports proposed IAASB Operational Policy No. 1.</p> <p>Specifically, we agree with the requirement that "black lettered" sentences in bold type be used to highlight basic principles and essential procedures in Standards, whereas sentences in plain type be used for explanatory and other material in Standards. Furthermore, we agree with the proposals in Authority statement of the Policy (paragraph 5), that the basic principles and essential procedures of a Standard, are to be considered in the context of the accompanying explanatory and other material that provide guidance for the understanding and application of basic principles and essential procedures.</p>
Basel	<p>The operations policy seems intended to be the IAASB's instruction to itself on how to write standards. The main purpose nevertheless seems to be to explain to readers of the standards how the standards are to be understood. Therefore, if the IAASB decides to maintain its view that so called black and grey letter paragraphs have different authority, it appears advisable to incorporate the substance of the suggested operations policy No 1 in the Preface.</p> <p>We prefer, however, that international audit standards should not give different authority to black and grey letter paragraphs. Equal authority for black and grey letter paragraphs in standards is already used in international accounting standards. It would be unfortunate if the IAASB took a different view for international audit standards. A closely related aspect is that the international audit standards do not always make it evident what is a mandatory requirement in all audits, and what is required only in specific cases. We encourage the IAASB to undertake the necessary efforts to ensure that mandatory requirements are always evident.</p>
CNCC	<p>The two French Institutes strongly support retaining the distinction between bold and ordinary lettering.</p> <p>However, from reading the « Operation policy nol » document, the two French Institutes consider that it contains a change that has never been discussed and thus should be</p>

more highlighted here, i.e. to write the grey letters text in the simple present tense (as stated in the last sentence of paragraph 11), instead of using "would", as it used to be the done.

This change (i.e. abandoning the systematic use of "would" in the grey letters) might consequently lead to re-addressing the question of the use of « should » in the black letters.

Although, as mentioned above, the French Institutes strongly support maintaining the black lettering to identify basic principles and essential procedures, they believe that the use of the simple present tense throughout the text of the standard (i.e. in the black and grey letters) would be more consistent with the authority attached to the standard taken as a whole and would greatly facilitate the translation of the IS As into other languages, and particularly into French.

CPA Australia

We strongly support the position adopted by IAASB with respect to black lettering. We believe the basic principles and essential procedures to be applied in all cases should be clearly separated from the guidance that helps professional accountants apply those basic principles and essential procedures in the circumstances of the engagement. Use of bold type lettering and selective use of the word "should" (although we prefer "must") achieves this in a reader friendly way.

DTT

While we are supportive of the development of this guidance, we do have a significant concern regarding the issue of the authority of bold and ordinary type lettering.

Even though we highly commend the IAASB for making substantial efforts to clarify what the applicable parts of the standards are and how they should be interpreted, we believe that the language in Operations Policy No. 1 – Bold Type Lettering is still not clear. While we do not oppose the typeface distinction between bold and ordinary type lettering, our position is that the standards need to be followed in their entirety, in all material respects.

Accordingly, similar to the approach adopted by the IASB, we strongly recommend that the IAASB take a definitive position on this issue and include a statement in the Preface, which clearly and simply states that the paragraphs in bold type and the paragraphs in ordinary type have equal authority. If this statement is so made in the Preface, we do not believe the Operations Policy No. 1 – Bold Type Lettering is necessary, and accordingly, we suggest that it not be issued. By taking a clear position on this issue, the IAASB will send a strong message to the profession that, like the IASB, its goal is to resolve any confusion regarding the authority of its standards.

However, we do understand that issuing a statement that bold and ordinary type paragraphs have equal authority may have a significant impact on current practice. Accordingly, we recommend that the IAASB adopt a plan to ensure a smooth transition, which may consist of performing an overall review of the individual standards to consider what the implications of "equal authority" would be to those standards and determine what, if any, wording changes are necessary to the ordinary type lettering, (paying particular attention to the use of words such as should, ordinarily and may).

While we believe the IAASB's highest priority should be to develop a core set of standards by 2004, in order to secure EU endorsement, ideally this type of transition could be completed by 2004 as well. In order to operationalize this, one option we strongly recommend is that any current IAASB subcommittees responsible for revising existing standards or developing new standards also be responsible for ensuring that the wording of the ordinary type lettering is appropriate given its proposed equality with bold type lettering, prior to those standards being voted on for issuance. Additionally, we suggest that the Revisions Subcommittee perform this same type of review for standards not covered by any existing subcommittees, with the goal of completing the review of as many standards as possible prior to the approval of the core set of standards by the EU.

If our recommendation to include a statement citing bold type and ordinary type paragraphs have equal authority is accepted, we strongly recommend that the Preface is issued with an effective date, so that:

- the IAASB can have sufficient time to make any necessary wording changes to the ordinary type lettering, including appendices, and
- auditors can have sufficient time to ensure that their audit methodology appropriately takes the ordinary type lettering into consideration.

FACPCE

In our opinion, this issue appears to be confusing and no clear justification seems to be valid. Perhaps, this kind of lettering could be saved for defined concepts but not to represent a "scale" of relevance within the Standard. In order to corroborate the aforesaid, kindly notice the contradiction represented in paragraph 5 in respect of paragraph 8.

FAR

We believe that the distinction between the bold and the ordinary lettering together with the materiality issue in the Operations Policy No. 1 gives a good description of the interpretation of how to use the standards. FAR strongly supports that the distinction be retained.

FEE

We strongly support the retention of the distinction between bold and ordinary lettering. It manifests the belief in principle-based standard setting and it is essential for a better understanding and grasping of a standard.

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Grant Thornton	<p>While we do not object to the use of "black lettering," we believe there is a great amount of confusion on the authority of the black lettering vs. the explanatory and other material ("gray lettering"). Many people view the gray lettering as including procedures which are as important as those in the black lettering and wonder why much more of a standard is not black lettered. Others continue to view the gray lettering as "recommendations." In addition, the wording in paragraph 10 implies that if the word "should" is not in a sentence, there is no obligation imposed on the practitioner.</p> <p>The black lettering is helpful in focusing practitioners on the key principles of the standards. However, we believe there is a strong need to avoid the continuing confusion and clarify the intent of the guidance in the gray lettering. As such, we believe the prohibition on the use of the word "should" in the gray lettering needs to be eliminated. This will allow the IAASB to more clearly indicate which procedures are expected to be performed.</p>
HKSA	<p>We support the retaining of the distinction between bold and ordinary lettering.</p>
IOSCO Standing Committee No. 1	<p>Standing Committee No.1 welcomes this opportunity to comment, and will focus our remarks on the question stated in point 8.c) asking: "Whether there is general support for retaining the distinction between bold and ordinary lettering".</p> <p>The issue of "black lettering" is dealt with in the "Preface" (paragraphs 13 and 14) and in a specific document named "Operations Policy No.1". The "Preface" explains the main concepts related to the general use of "black lettering" in the four categories of Standards identified by the IAASB. Namely, paragraphs 13 and 14 read as follows:</p> <p>Par. 13: "The IAASB's Standards contain basic principles and essential procedures (identified in bold type black lettering) together with related guidance in the form of explanatory and other material. The basic principles and essential procedures are to be understood and applied in the context of the explanatory and the other material that provide guidance for their application. It is therefore necessary to consider the whole text of a Standard to understand and apply the basic principles and essential procedures. This includes the explanatory and other material contained in the Standard, not just the text that is black lettered".</p> <p>Par.14: "The nature of Standards issued by the IAASB requires professional accountants to exercise professional judgement in applying them. In extremely rare circumstances, a professional accountant may judge it necessary to depart from a requirement of an Engagement standard to achieve more effectively the objective of the engagement. When such a situation arises, the professional accountant should be prepared to justify the departure."</p> <p>The "Operations Policy No.1" document outlines more detailed guidance on the use of black lettering and gives a definition of both "basic principles and essential procedures" and "explanatory and other material".</p> <p>SC1 believes the key issues go beyond the question of black lettering. SC1 notes in particular the coded use of language (for example, the use of "should" to indicate essential procedures and ordinarily the use of the present tense to indicate explanatory and other material).</p> <p>SC1 takes note of the equivalent statement in the IASB Preface (May 2002) dealing with the use of black lettering within International Financial Reporting Standards. Namely, paragraph 14 of the IASB Preface reads as follow:</p> <p>"Standards approved by the IASB include paragraphs in bold type and plain type, which have equal authority. Paragraphs in bold type indicate the main principles. An individual standard should be read in the context of the objective stated in that standard and this Preface."</p> <p>As a general observation, there is certainly a lot of merit for both international bodies, acting in the same area of financial reporting, to adopt a coherent system in standard setting. Indeed, it would potentially be very confusing for readers of Auditing and Accounting Standards if the bases for the use of bold lettering in standards were not consistent.</p> <p>More specifically, SC1 firmly believes that the existing distinction between "basic principles and essential procedures" and other guidance - defined by IAASB as "explanatory and other material" - is ambiguous. We are not comfortable with the present usage of black lettering, nor are we comfortable with the way that syntax and text is used inconsistently in the standards. Readers of auditing standards must be able to ascertain clearly what procedures are mandatory in all audits, and what procedures are only applicable in certain specific cases.</p> <p>We urge the IAASB to adopt the same principle of equal authority in its development of auditing standards as is used by the IASB in the international accounting standards. We further urge the IAASB to ensure, through the wording used, that there is no opportunity for confusion or ambiguity regarding the considerations and procedures that are required in a high-quality audit.</p> <p>We believe that the IAASB should discontinue its current practice of using "should" exclusively in the black-lettered sentences. We are concerned that this use of "should" could</p>

be misinterpreted to reinforce the idea that the bold-type text and plain-type text have different authority. We recommend avoiding any grammatical distinction between the black lettered sentences and the plain type sentences in stating obligations for professional accountants in order to ensure the equal authority of the whole text.

The above-mentioned approach would also render the document on Operations Policy No.1 no longer necessary. (It is not clear to us, in any event, what status documents of this nature are intended to have.)

We are concerned that the standards at times suggest certain specific procedures “may be used” rather than “should be used” when the procedure involved is one that should be mandatory 1. We believe that in a number of cases the text should be changed to make it clear that these are procedures that should be applied except in the rare cases referred to in paragraph 14 of the IAASB Preface. An example is paragraph 5 of ISA 505 that states “Other examples of situations where external confirmations may be used including the following.”

One of the situations listed is bank balances and other information from bankers. As set out in our comments on ISA 505, we believe external confirmations for bank balances are expected and an auditor not using them should document the reason for using alternative procedures. This would also be true for certain other items such as significant provisions in agreements or covenants.

ICANZ

The PPB concurs with the decision of the IAASB to retain the “black lettering” to identify the basic principles and essential procedures contained within a standard. This enables users to easily distinguish the principles and essential procedures from the explanatory and other material.

However, the PPB does not support the inclusion of black lettering in the same paragraph as grey letter explanatory material. The explanatory and other material explain the principles and procedures and often provides examples and illustrations. This material should, therefore, be contained in separate paragraphs.

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de Colombia

We support the retention of the distinction between bold and ordinary lettering. Practitioners must know that the standard is the complete standard; however, bold lettering is very useful for the practitioner to understand the standard and analyze certain topics.

However, we consider that paragraphs should not have both bold and ordinary lettering. We recommend that new and revised standards consider not to mix paragraphs. Basic principles and essential procedures should not be together with explanatory text. Explanatory text could be in different paragraphs.

JICPA

Black lettering is used for basic principles and essential procedures and other lettering is for other terms, explanations and procedures. However, it can be questioned whether such a distinction is necessary in order to understand the Standards, if one assumes that readers of the Standards read the full sentences regardless of this distinction.

Readers of the IAASB pronouncements differ from those of accounting standards. The main readers of the IAASB pronouncements are expected to be auditors, who are experts of financial statements' audit and other assurance engagements. As experts, auditors would read the full sentences to understand the Standards as a matter of course even if black lettering is used. However, auditors can comprehend the Standards more logically by re-reading the black lettered paragraphs of the Standards which they have already understood.

We support to use black lettering to develop and publish the IAASB Standards.

KPMG

We agree with the distinction between bold and ordinary lettering and that bold paragraphs should contain the basic principles and essential procedures. We also believe that it is important for auditing standards to make provision for explanatory material that helps auditors understand the requirements. However, in order for this type of approach to work, it is imperative that standards be precisely drafted so that all the content of a particular standard has the same status, with the bold simply highlighting that which is a basic principle or essential procedure.

One of the concerns we have with existing standards is that they may not necessarily have been drafted with this type of precision. Non-bold paragraphs are often drafted using the present tense, making their status (i.e., basic principle/essential procedures or explanatory material) ambiguous. For example, ISA 550.12 a non-bold paragraph, states:

“During the course of the audit, the auditor carries out procedures which may identify the existence of transactions with related parties. Examples include:

- Performing detailed tests of transactions and balances.
- Reviewing minutes of meetings of shareholders and directors...”

Use of the present tense in ISA 550.12 makes the purpose of the paragraph unclear. Is it stating that the auditor needs to carry out procedures that may identify the existence of

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related party transactions or is it merely emphasising that procedures normally carried out during an audit may lead the auditor to identify such transactions?

In order to strengthen the distinction between bold and ordinary lettering, we recommend that IAASB make a point of ensuring that any new and revised standards are drafted precisely so that what constitutes basic principles/essential procedures is very clear and the purpose of an explanatory paragraph is also very clear. In addition, it would be helpful if the description of explanatory information in paragraph 12 of the Policy not include other information such as points of finer detail and background material.

Further, we recommend that, at some point in the future, the IAASB consider clarifying the status of bold requirements versus explanatory material by explicitly stating that standards approved by IAASB include black lettered paragraphs and explanatory material, which have equal authority. This type of clarification would be consistent with the description of bold type versus plain type provided by IASB (see Preface to International Financial Reporting Standards, paragraph 14). Before being in a position to make such an assertion, the IAASB would have to undertake a project to consider the clarity of existing grey lettered paragraphs. While we believe that this would be a valuable exercise it, in our view, is not of such a high priority that it should interfere with the IAASB's current project plan, published in the 2003-2004 Action Plan.

Moore Stephens Int'l We support the inclusion of both "Black Lettered Sentences" ("standards") and "Explanatory and Other Material" within a Standard and the statement contained in paragraph 6 of the draft indicating that consideration must be given to the entirety of Standards in their application. We further support the relative weighting proposed to be given to the two elements within Standards as presently drafted.

We support the strategy for the use of Bold Type Lettering ("black lettering") contained in Operations Policy No 1 to identify basic principles and essential procedures. We consider that the definitions contained in paragraph 8 of the draft are sufficient definitions for the purpose.

We consider that the word "should" is appropriate in the circumstances and concur with paragraph 10 of the draft as presented. There may be unusual circumstances where an essential procedure, as defined, will be impracticable in the situation of a particular assignment but where an alternative procedure provides adequate equivalent assurance. Use of a more prescriptive word, such as "must", would carry an obligation to carry out both the mandatory process and the alternative which has been identified by the exercise of professional judgement as providing equivalence.

We consider that Explanatory and Other Material is of particular importance in that it gives practical guidance on the achievement of the obligations implicit in the basic principles. However, given the range and combination of processes that may be appropriate in the circumstances of a particular assignment it is our view that there should not be a disproportionate number of procedures designated as "essential" and thus included within black lettering. Recognition of this point is given in paragraph 13 of the draft.

In our view, it is this aspect that enables a valid distinction to be drawn between the environment in which International Accounting Standards Board ("IASB") pronouncements are to be applied and that applicable to pronouncements from the International Auditing and Assurance Standards Board ("IAASB"). In the IASB Framework, recognition is given to the possibility of two accounting treatments for like transactions and events, with one designated as the benchmark treatment and the other as the allowed alternative. Once the compliant treatment has been established for a particular assignment its application within the financial statements is substantially a computational exercise. In such circumstances is realistic to be prescriptive in the detail of the accounting treatment to be applied.

In the case of IAASB pronouncements, when compared with those of the IASB, we do not consider it realistic for them to carry an equivalent level of detailed prescription. This is because there may be a range of processes, according to the circumstances of the assignment, that may be available to meet the obligations within the basic principles contained in Standards. Attempts to designate a greater proportion of IAASB Standards than is presently the case as "essential", or otherwise mandatory or of equal weight, will in our view, detract from the clarity of their practical application.

Mortensen & In the process of translating, the problems of implementation arise, as national laws and regulations may have further requirements than the standards in particular areas.

Beierholm In Denmark, we have solved this problem by doing a direct translation of each paragraph, which is numbered identically as the international standard. The national ISA PLUS requirements are:

1) entered in italic to differentiate from the wording of the international standard

2) separately numbered paragraphs with a letter added, i.e. a paragraph entered due to national regulations will be named 2a if it follows paragraph 2 in the international standard. The solution means, that all national entries are to be seen as bold-lettered paragraphs.

PAAB While we support the distinction between bold and explanatory and other material we do not believe the Preface and Operations Policy No 1 adequately explain the distinction between the two. It needs to be made clear that the explanatory and other material provides the context for the practitioner to understand the black letter requirements in

exercising the practitioner's judgement.

We suggest inserting a paragraph under the heading Authority Attaching to Standards Issued by the IAASB which states that "a practitioner who does not apply the guidance included in the explanatory and other material should be prepared to explain how the basic principles and essential procedures in the Standard have been complied with." We would also suggest including this wording under the heading Authority in Operations Policy No 1.

PwC

We strongly support retaining the distinction between bold and ordinary lettering and would oppose any change to that practice. Auditing and assurance services are not mechanical processes. Their quality depends on application of sound professional judgement. For example, the quality of an audit is dependent on the quality of the auditor's tailoring of the audit approach to fit the circumstances and risks of the entity, and on the quality of the judgements the auditor makes in reaching his or her conclusions. Auditing standards based on principles guide the planning and application of appropriate audit procedures and serve to elicit thoughtful auditor assessment and sound judgement in the particular circumstances of each engagement. Distinguishing between basic principles and essential procedures through the use of bold-lettering is consistent with this principles-based approach to standards.

Many standard setters and regulators have successfully adopted the practice of distinguishing between basic principles and essential procedures and guidance and explanatory material. The practice facilitates standards development by providing a logical structure and discipline, and the style improves the readability of the final pronouncements.

UK APB

The APB strongly supports the use of bold type lettering to highlight basic principles and essential procedures. This is primarily because the APB believes that it is essential for the IAASB to continue to demonstrate its commitment to principle-based standards. Standards based on principles reflect the fact that auditing is a highly judgmental process and high quality auditing results from experienced auditors, knowledgeable about their clients, making well informed judgments, rather than from the application of detailed procedural rules which can detract from a thoughtful approach.

The APB strongly supports the retention of a distinction between bold and ordinary lettering. It believes that bold lettering helps with the development and understanding of auditing standards.

Specific Comments

<i>ID</i>	<i>Respondent</i>	<i>Respondent Comment</i>	<i>Change?</i>	<i>Staff Comment (where necessary)</i>
Paragraph 1 – Purpose				
1	CPA Australia	The Operations Policy uses the term "bold type lettering" in the title and then in the first paragraph notes that it will be referred to as "black lettering". We recommend that the language used albeit "bold type lettering" or "black lettering" be consistent.	Y	Agreed. The title of the document has been changed to "Black Lettering" for consistency with the name commonly used when referring to bold type lettering.
2	DTT	We strongly recommend that the Preface simply state that the bold and ordinary type paragraphs have equal authority, and that this Operations Policy not be issued. We believe that an attempt at further clarification on this topic only makes the issue more confusing.	N	Refer to Agenda Item 3-D
2.5	PAAB	It is presently unclear to us what category of pronouncement Operations Policy No 1 falls into and accordingly how its authority is to be interpreted.	Y	A proposed description of the nature and purpose of Operations Policies has been added to the proposed Preface (paragraph 24).
3	UK APB	The APB considers that the use of bold type lettering is a 'policy' or a 'practice', not a 'process'.	Y	Agreed. Change made as suggested.

Paragraphs 2 – Meaning

Specific Comments

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<i>ID</i>	<i>Respondent</i>	<i>Respondent Comment</i>	<i>Change?</i>	<i>Staff Comment (where necessary)</i>
Paragraph 2				
4	FEE	Is it the intention of the IAASB to avoid using the word "would" in future and to prefer the use of the present tense throughout the grey text? This would simplify the understanding of the intention of the standard setters but could also have consequences on the degree of obligation involved. Some clarification would be welcomed, especially because subtle distinctions of the English language usually cause difficulties to translators.	N	Yes, it is the intention of the IAASB to avoid using the work "would" in the future and to use the present tense throughout the grey text. All new and revised pronouncements are being developed following this convention. No change considered necessary.
Paragraphs 3 -4 – Codification				
5	FEE	It is unclear what purpose is served by the historical account of the codification project in paragraphs 3 and 4 with its reference to a "current" codified structure which will be superseded by the proposed Preface.	Y	Agreed. Paragraphs 3 and 4 have been removed as that discussion is not considered necessary to understanding the structure of IAASB pronouncements or the IAASB's practice of using black lettering.
6	UK APB	These paragraphs appear to set out a short history of a 'codification' project carried out ten years ago. The APB does not consider that this section adds anything to the guidance on bold type lettering and recommends that it be removed.	Y	Agreed. See disposition to comment no. 5 above
Paragraphs 5-7 – The Authority Attaching to Practice Statements Issued by the International Auditing and Assurance Standards Board				
Paragraph 6				
7	FEE	...we are concerned that paragraph 6 is too inflexible when applied to auditors of SMEs who also look to IAPS 1005 for guidance. Such inflexibility may create unnecessary barriers to the adoption of ISAs in the EU.	N	ISAs are to be applied in all material respects in engagements for the audit of financial statements. The IAASB agreed in September 2002 that SMP considerations would be included directly in new or revised pronouncements, and to move existing guidance contained in IAPS 1005 into the related ISAs as and when they are revised. The IFAC SMP Task Force has not indicated problems in terms of compliance by SMPs with the existing black letter convention. No change is recommended at this time.
8	PAAB	We suggest deleting the first sentence of paragraph 6, which is highly confusing by stating that explanatory and other material are essential.	Y	The first sentence of paragraph 6 has been changed to enhance its clarity. Please see revised document for the proposed changes.
9	UK APB	The APB recommends that the phrase "...is clear from...." Is replaced by "...explained in....".	Y	See response to comment no. 8.
Paragraph 7				
10	KPMG	Finally, we recommend that IAASB delete paragraph 7 because it is essentially covered by paragraph 6.	Y	Agreed. Paragraph 7 deleted.

ID	Respondent	Respondent Comment	Change?	Staff Comment (where necessary)
11	PAAB	We believe the discussion in paragraph 7 regarding standards with a small or capital "S" is confusing and highly academic and thus would suggest it be deleted.	Y	Agreed. Paragraph 7 deleted.
12	UK APB	The APB considers that paragraph 7 appears somewhat trivial, and its substance is already covered in paragraph 6.	Y	Agreed. Paragraph 7 deleted.
Paragraphs 8 – 10 – What is the Black Lettered Sentences				
Paragraph 8				
13	FEE	Paragraph 8 uses the word "examination". We suggest replacing this term by the word "engagement". The term examination should not be used in this sense in standards or other pronouncements because it does not refer to a kind of engagement.	Y	Agreed. Change made as suggested.
Paragraph10				
14	AICPA	We were under the impression that the IAASB had agreed to remove the discussion of materiality from this type of document (as in paragraph 10).		Refer to Agenda Item 3-A, paragraph 21.

Paragraphs 11-13 – What is the Explanatory and Other Material

No specific comments