ABSTRACT: In December 2009, the small companies classified as non-accelerated filers must begin complying with the audit requirement of Section 404 of the Sarbanes-Oxley Act. The deadline has been repeatedly extended due to the concern that the compliance costs would be financially burdensome to these small companies. This study provides a forecast of the increase in audit costs attributable to Section 404 for non-accelerated filers and assesses whether the new auditing standard for internal controls, Auditing Standard No. 5, has reduced Section 404-related audit costs as intended. The study finds that the Section 404 audit fee premium for new accelerated filers in 2007 is between 26% and 37% of audit fees. This is a reduction from the previous year's estimate, showing that Section 404-related audit costs have fallen since the new standard was adopted.