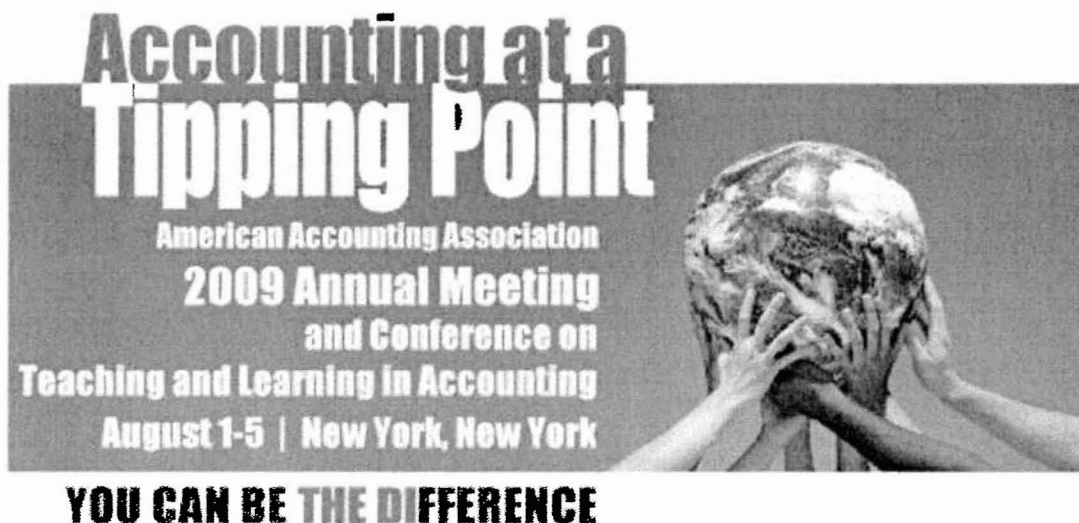


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A banner for the American Accounting Association 2009 Annual Meeting and Conference. The text reads: "Accounting at a Tipping Point", "American Accounting Association", "2009 Annual Meeting and Conference on Teaching and Learning in Accounting", "August 1-5 | New York, New York". Below the text is a photograph of several hands of different skin tones cupping a globe of the Earth. Below the banner, the slogan "YOU CAN BE THE DIFFERENCE" is written in bold, black, all-caps letters.

Accounting at a Tipping Point
American Accounting Association
2009 Annual Meeting and Conference on Teaching and Learning in Accounting
August 1-5 | New York, New York

YOU CAN BE THE DIFFERENCE

Section 404 Audit Costs for Small Companies: The Benefit of Waiting

Mithu Dey, Rochester Institute of Technology
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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.

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