

Client Name: AIG DBG GAAP 12/00
Period End: 12/31/2000

Step

Title: Discuss/communicate preliminary assessment of materiality
Area: 900 -Audit strategy and program
File Section: Planning and engagement management
Industry Name: US General July 1998

Audit Objectives:

Strategy Option:

Description:

Discuss or communicate the preliminary assessment of materiality with the engagement team members, including communicating the minimum threshold for postings to the SUD. In determining materiality, consider the following factors:

- a) the monetary amount of misstatements relative to the financial statements taken as a whole or to relevant parts thereof;
- b) the historical trend of major financial statement elements;
- c) the specific circumstances surrounding the engagement (e.g., the client may have liquidity problems or the financial statements may be used as a basis for selling the entity); and
- d) statutory or professional requirements (e.g., statutory requirements may result in low levels of materiality for certain elements of the financial statements).

Comments:

Materiality for reporting to Corporate is set at \$10 million for income items and \$100 million for balance sheet items. This was determined by the Corporate team, as per the Corporate Instruction Letter. Additionally, we have considered the materiality of the stand alone statutory companies and believe that the above \$10 million threshold is appropriate on a stand alone basis as well. Qualitative materiality assessments will be addressed appropriately per SAB 99 and other relevant pronouncements.

Linked Strategy Factors:



Document Status: Reviewed

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Review Categorization:

Guidance:

Maintenance:

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