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## “Accounting Cliff” for Public Companies with Operations in China is More Like a Slope

by Thomas M. Shoesmith

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*Public companies with PRC-based auditors are facing a worrisome accounting “slope” rather than a “cliff” on December 31, 2012. If the Public Company Accounting Oversight Board (PCAOB) is not able to finish its international inspections in China by December 31, it is possible, although not certain, that the PCAOB will begin the process of deregistering member firms located in the PRC.*

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An earlier [Client Alert](#) described the risk that accounting firms registered with the PCAOB and based in China could lose their registrations if the PCAOB’s December 31, 2012 deadline for completing its international inspections passes without some resolution of the current impasse with PRC regulators.

This “accounting cliff” is actually more of a slope. Although our previous Client Alert implied that the firms’ deregistration would lapse automatically, the PCAOB’s rules require further action on its part before any registrations are terminated. Given the current climate, there is no way to know if or when the PCAOB would commence any such action if the December 31, 2012 deadline comes and goes without a resolution.

We will continue to monitor the situation and provide updates as they become available.

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If you have any questions about the content of this alert, please contact the Pillsbury attorney with whom you regularly work, or the author below.

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