

TABLES OF DIFFERENCES
ASA 501 [Revised and Redrafted]
AUDIT EVIDENCE—SPECIFIC CONSIDERATIONS FOR SELECTED ITEMS

Extant ASA: ASA 501 *Existence and Valuation of Inventory* and ASA 508 *Enquiry Regarding Litigation and Claims*

ISA ISA 501 (Redrafted)

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<i>Key Statistics</i>		
Exhibit		No.
1	New Requirements [Elevation of Guidance]	5
1	New Requirements [no previous Equivalent in extant ASA]	1
N/A	Total number of New Requirements	6
2	Extant ASA Requirements covered in another standard[s]	8

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Changes to this Table from the Last Board meeting [NA]

Item #	Para. #	Change Description	ATG Commentary	Accept in ASA Y/N?
ASA 501 (Revised and Redrafted) is presented to the Board for the first time.				
		NA		

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Requirements in ISA not in Extant ASA

- *Exhibit 1 identifies Requirements in the redrafted ISA that are not present in the equivalent extant ASA*
- *Exhibit 1 does not identify Requirements that are identical; or similar but for differences in expression/wording*

Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?	Rule No.
Objective					
1	3	The objective of the auditor is to obtain sufficient appropriate audit evidence regarding the: (a) Existence and condition of inventory; (b) Completeness of litigation and claims involving the entity; and (c) Presentation and disclosure of segment information in accordance with the applicable financial reporting framework.	New Objective included.	Y	A24
Inventory					
2	4	When inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by: (a) Attendance at physical inventory counting, unless impracticable, to : (Ref: Para. A1-A3)	Unshaded text – Extant ASA 501 para 11– equivalent Requirement. Shaded text equivalent general audit materiality requirement. [ASA 320 (Revised and Redrafted) and ASA 200 (Revised and Redrafted) para 6]	Y	A6
3	4	a) ... (i) Evaluate management’s instructions and procedures for recording and controlling the results of the entity’s physical inventory counting; (Ref: Para. A4)	Elevation of Extant ASA Explanatory Guidance [Extant ASA 501 para 7-8, para 12, para 18, para 23-24, and para 27]	Y	A2

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Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?	Rule No.
		<ul style="list-style-type: none"> (ii) Observe the performance of management’s count procedures; (Ref: Para. A5) (iii) Inspect the inventory; and (Ref: Para. A6) (iv) Perform test counts; and (Ref: Para. A7-A8) 			
4	5	If physical inventory counting is conducted at a date other than the date of the financial statements, the auditor shall, in addition to the procedures required by paragraph 4, perform audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded. (Ref: Para. A9-A11)	Elevation of extant ASA Explanatory Guidance [Extant ASA 501 para 26—equivalent Explanatory Guidance]	Y	A2
5	8	<p>When inventory under the custody and control of a third party is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of that inventory by performing one or both of the following:</p> <ul style="list-style-type: none"> (a) Request confirmation from the third party as to the quantities and condition of inventory held on behalf of the entity. (Ref: Para. A15) (b) Perform inspection or other audit procedures appropriate in the circumstances. (Ref: Para. A16) 	Elevation of extant ASA Explanatory Guidance [Extant ASA 501 para 29—equivalent Explanatory Guidance]	Y	A2
Litigation and Claims					
6	9	<p>The auditor shall design and perform audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement, including: (Ref: Para. A17-A19)</p> <ul style="list-style-type: none"> (a) Inquiry of management and, where applicable, others within the entity, including in-house legal counsel; (b) Reviewing minutes of meetings of those charged with governance and correspondence between the entity and its external legal counsel; and 	Elevation of extant ASA Explanatory Guidance [Extant ASA 508 para 8 and para 9—equivalent Explanatory Guidance].	Y	A2

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Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?	Rule No.
		(c) Reviewing legal expense accounts. (Ref: Para. A20)			
7	10	If the auditor assesses a risk of material misstatement regarding litigation or claims that have been identified, or when audit procedures performed indicate that other material litigation or claims may exist, the auditor shall, in addition to the procedures required by other ISAs, seek direct communication with the entity's external legal counsel. The auditor shall do so through a letter of inquiry, prepared by management and sent by the auditor, requesting the entity's external legal counsel to communicate directly with the auditor. If law, regulation or the respective legal professional body prohibits the entity's external legal counsel from communicating directly with the auditor, the auditor shall perform alternative audit procedures. (Ref: Para. A21-A25)	Shaded text – no extant ASA equivalent The word “shall” has been replaced with “shall endeavour to” in ASA 501 (Revised and Redrafted), consistent with the wording in extant ASA 501. The last sentence, was included by the IAASB to address issues faced by auditors in some jurisdictions – i.e. in some jurisdictions there may be a blanket prohibition on legal counsels on responding to enquiries letters from auditors seeking confirmation of litigation and claims involving an entity. This has been adopted in ASA 501 (Revised and Redrafted).	Y	A1
8	11	If: (a) management refuses to give the auditor permission to communicate or meet with the entity's external legal counsel, or the entity's external legal counsel refuses to respond appropriately to the letter of inquiry, or is prohibited from responding; and (b) the auditor is unable to obtain sufficient appropriate audit evidence by performing alternative audit procedures, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705 (Revised and Redrafted).	Elevation of extant ASA Explanatory Guidance [Extant ASA 508 para 26-27 and para 31-32 —equivalent Explanatory Guidance].	Y	A2
<i>Written Representations</i>					
9	12	The auditor shall request management and, where appropriate, those charged with governance to provide written representations that all known actual or	Equivalent Requirement in extant ASA 580 (Revised and Redrafted) <i>Management Representations</i> which states:	Y	A6

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Item #	ISA Para. #	ISA Requirements	Commentary	Accept in ASA Y/N?	Rule No.
		possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and appropriately accounted for and disclosed in accordance with the applicable financial reporting framework.	<p><i>Information Provided to the Auditor</i></p> <p>11. The auditor shall request management to provide a written representation that it has provided the auditor with all relevant information agreed in the terms of the audit engagement, and that all transactions have been recorded and are reflected in the financial statements.</p>		
Segment Information					
10	13	<p>The auditor shall obtain sufficient appropriate audit evidence regarding the presentation and disclosure of segment information in accordance with the applicable financial reporting framework by: (Ref: Para. A26)</p> <p>(a) Obtaining an understanding of the methods used by management in determining segment information, and: (Ref: Para. A27)</p> <p>(i) Evaluating whether such methods are likely to result in disclosure in accordance with the applicable financial reporting framework; and</p> <p>(ii) Where appropriate, testing the application of such methods; and</p> <p>(b) Performing analytical procedures or other audit procedures appropriate in the circumstances.</p>	<p>No extant ASA equivalent.</p> <p>However, where segment reporting applies, the auditor would ordinarily perform these procedures, in order to be able to fulfil the Requirements of the following standards:</p> <ul style="list-style-type: none"> • ASA 200 (Revised and Redrafted) para 17 • ASA 500 (Revised and Redrafted) para 6 • ASA 700 (Revised and Redrafted) para 10-15 	Y	A1

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Requirements in Extant ASA not in ISA

- *Exhibit 2 identifies Requirements in the extant ASA that are not present in the equivalent redrafted ISA*
- *Exhibit 2 does not identify Requirements that are identical; or similar but for differences in expression [wording]*

Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?	Rule No.
Not Retained in ASA [Revised & Redrafted]					
ASA 501 Existence and Valuation of Inventory					
1	5	The auditor shall obtain sufficient appropriate audit evidence regarding the existence and valuation of inventory material to the financial report.	Covered by Requirements contained in other standards. For example: <ul style="list-style-type: none"> • ASA 200 (Revised and Redrafted) requirement to obtain sufficient appropriate audit evidence; • ASA 500 (Revised and Redrafted) requirement to design and perform audit procedures; • ASA 330 (Revised and Redrafted) requirement to identify and assess risks at the assertion level 	N	A5
2	30	AND The auditor shall evaluate the methods used by management in the valuation of inventory .			
3	31	AND The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence regarding the valuation of inventory .			
4	19	If the entity uses procedures to estimate the physical quantity of inventory that is material, the auditor shall design and perform audit procedures to be satisfied with the reasonableness of those procedures.	Covered by the Requirements in ISA 540 <i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i> . The auditor's responsibilities are not diminished.	N	A5
ASA 508 Enquiry Regarding Litigation and Claims					

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Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?	Rule No.
5	5	<p>The auditor shall obtain sufficient appropriate audit evidence regarding:</p> <p>(a) whether all material legal matters have been identified;</p> <p>(b) the probability of any material revenue or expense arising from such matters and the estimated amount thereof; and</p> <p>(c) the adequacy of the accounting treatment of such matters including their disclosure in the financial report.</p>	<p>Shaded text – no equivalent Requirement in ISA 501 (Redrafted).</p> <p>However, the Requirements are covered by other ISAs. For example, ISA 200 requirement to obtain sufficient appropriate audit evidence, ISA 500 requirement to design and perform audit procedures, and ISA 540 requirements regarding the reasonableness and disclosure of accounting estimates.</p> <p>The auditor’s responsibilities are not diminished.</p>	N	A5
<i>Employee and/or Third party Lawyers</i>					
7	22	<p>If a response from the entity’s lawyers contains a material disagreement with management’s original evaluation of a particular matter, the auditor shall seek discussions with management and the entity’s lawyers, unless management subsequently agrees with the lawyers’ evaluation.</p>	<p>Covered by other ASAs (for example, ASA 200 (Revised and Redrafted)) and the guidance contained in ASA 501 (Revised and Redrafted) para A24. In instances where a legal counsel’s response indicates there is disagreement between management and legal counsel the auditor would ordinarily perform further audit procedures, including discussions with management and legal counsel to resolve the matter.</p>	N	A5
Related Procedures					
8	33	<p>The auditor shall enquire of management about new legal matters referred to the entity’s lawyers subsequent to the date of the request for a representation letter to the entity’s lawyers and prior to signing the auditor’s report.</p>	<p>Covered by ISA 580 para 14 (and related guidance in para A17-A20) and ISA 700 para 41.</p> <p>ISA 501 para A25 contains equivalent guidance.</p>	N	A5
9	35	<p>If audit procedures lead to the discovery of matters of a legal nature not previously identified by management, the auditor shall consider the impact of each of the matters on the financial report.</p>	<p>Covered by other ISAs. for example, ISA 200 and ISA 700 para 41.</p>	N	A5

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Item #	Extant ASA Para. #	Extant ASA Requirement	Commentary	Accept in ASA Y/N?	Rule No.
Retained in ASA [Revised & Redrafted] Reason 1: [Only when requirement necessary for Australian legislation or regulation reasons]					
NA					
Retained in ASA [Revised & Redrafted] Reason 2: [Only when requirement necessary for legislative instrument reasons]					
NA					
Retained in ASA [Revised & Redrafted] Reason 3: [Only when requirement necessary for public interest reasons and no inconsistency with the ISA]					
NA					

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Significant Differences in Guidance — ISA and Extant ASA

- *Exhibit 3 identifies significant differences between the Application and Other Explanatory Material (guidance) in the redrafted ISA and the Explanatory Guidance in the equivalent extant ASA. These differences are exceptional in nature.*
- *Exhibit 3 does not identify guidance that is identical; or similar but for differences in expression/wording*

Item #	ISA/ASA Para. #	Guidance	Commentary	Accept in ASA Y/N?	Rule No.
PART A – ISA					
NA					
PART B – ASA					
Retained in ASA [Revised & Redrafted] Reason 1: [Only when requirement necessary for Australian legislation or regulation reasons]					
NA					
Retained in ASA [Revised & Redrafted] Reason 2: [Only when requirement necessary for legislative instrument reasons]					
NA					
Retained in ASA [Revised & Redrafted] Reason 3: [Only when Requirement is deemed necessary for public interest reasons and is not inconsistent with the ISA]					
NA					

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Significant Differences in Appendices — ISA and Extant ASA

- *Exhibit 4 identifies significant differences between the Appendices in the redrafted ISA and the Appendices in the equivalent extant ASA. These differences are exceptional in nature.*
- *Exhibit 4 does not identify Appendices that are identical; or similar but for differences in expression/wording*

Item #	ISA/ASA Para. #	Appendix	Commentary	Accept in ASA? Y/N	Rule No.
Part A – ISA					
NA					
Part B – ASA					
Example of a Letter of Specific Enquiry to an External Legal Counsel					
1	Appendix 1	See Appendix 1 extant ASA 501	Retained in ASA [Revised & Redrafted], with minor changes to terminology for consistency with the Requirements and AOEM in the new standard. The example letter provides helpful guidance to practitioners and is not inconsistent with the ISA.	Y	A34

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