



# Board Meeting Summary Paper

**Subject:** ASA 570 Going Concern  
[Aus] Appendix 1 Feedback

**Date:** 21 February 2011

<b>AUASB AGENDA ITEM NO. 9(c)</b>
<b>Meeting Date: 28 February 2011</b>

## X Action Required

## For Information Purposes Only

### Agenda Item Objectives

To inform the AUASB on the proposed solution to feedback from the AUASB Board and Constituents on the *Clarity* ASA 570 Going Concern [Aus] Appendix 1 *Linking Going Concern Considerations and Types of Audit Opinions* decision-tree diagram.

### Background

It should be noted that the inclusion of the Appendix 1 diagram is an [Aus] only addition to *Clarity* ASA 570 (as in the extant), with the IAASB not including such a diagram in the underlying standard, ISA 570.

Feedback has been received on the [Aus] Appendix 1 diagram *Linking Going Concern Considerations and Types of Audit Opinions* that the diagram requires amendment to, and/or further guidance, in the following areas:

- The Diagram's terminology (consistent with the *Clarity* Standard) had changed from the extant diagram causing confusion (for example "significant doubt" versus "highly improbable"); and
- The diagram needed to be expanded to take account of all going concern considerations – particularly about the auditor's consideration of material uncertainty about a particular going concern strategy versus the material uncertainty about the entity's actual going concern was not included in the diagram.

The AUASB Technical Group considers the current diagram to be technically correct and consistent with the requirements and related application and other explanatory material in *Clarity* ASA 570. Further the AUASB Technical Group considers that adding additional decision tree steps to the diagram (to incorporate all going concern considerations) is unnecessary given:

- the Standard itself does not include all such considerations, and the Appendix (as Guidance) cannot extend itself beyond the pre-existing principles in the requirements section; and

---

*This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.*

- It is not practical to amend as no single decision tree diagram can include all possible going concern considerations.

There are numerous possible alternatives for the AUASB Board to consider including:

- Leave the Diagram as is
- Amend the Diagram
- Remove the Diagram
- Retain the Diagram (as is) and include further guidance in the Appendix
- Remove the Diagram and include a Table of Going Concern Considerations instead
- Amending the Standard by including new requirements and/or guidance

To assist the AUASB's considerations, the AUASB Technical Group has prepared a incomplete sample of an alternate Appendix - *Table of Going Concern Considerations* that could replace the current decision-tree based diagram.

### **Matters to Consider**

The AUASB Technical Group has prepared an incomplete sample of the proposed alternate table of going concern considerations for the AUASB Board's consideration and feedback. If the Board is supportive of the proposed Table form, it will be completed as part of the Amending Standard process.

### **AUASB Technical Group Recommendations**

The AUASB Technical Group recommends the Board consider (as one of the alternatives) replacement of the current [Aus] Appendix 1 Diagram with a Table of Going Concern Considerations – refer Agenda Item 9(c).1 for an incomplete sample of its form.

### **Material Presented**

- Agenda Item 9(c) Board Meeting Summary Paper
- Agenda Item 9(c).1 Table of Going Concern Considerations [Incomplete Sample]
- Agenda Item 9(c).2 [Aus] Appendix 1 – Clarity ASA 570

---

### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB Board to consider Agenda Item 9(c).1	AUASB Board to provide feedback	AUASB	28 February 2011	o/s

---

*This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.*