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The Chairman
Australian Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne, VIC 8009

7 July 2017

Dear Chairman

Re: Exposure Draft ED 540– Auditing Accounting Estimates and Related Disclosures

Deloitte Touche Tohmatsu (Deloitte) is pleased to respond to the International Auditing and Assurance Standards Board's (IAASB) Exposure Draft Proposed International Standard on Auditing 540 (Revised) – *Auditing Accounting Estimates and Related Disclosures* ("ED 540").

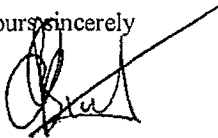
We fully support the IAASB's project to extensively revise the extant ISA 540 and acknowledge the positive direction and improvements included within ED 540 that assist in enhancing audit quality. We are also supportive of more specific outcome-based requirements and further emphasis on a granular risk assessment process. Having said this, we do have a number of concerns as to whether ED 540 translates into clear requirements that are capable of being understood and operationalised when auditing different types of entities and estimates. As a result, we believe that ED 540 requires further assessment and refinement, especially in relation to its broader applicability and scalability, as well as the incorporation of additional guidance and practical implementation considerations.

Please refer to Appendix 1 for our responses to the specific questions posed by the IAASB within ED 540.

In addition, we have included other specific comments relating to ED 540 in Appendix 2.

If you have any queries in relation to this response please do not hesitate to contact me on +61 2 9322 3434*.

Yours sincerely



Gareth Bird
Partner
Deloitte Touche Tohmatsu

**This submission is based on my position as a Partner at Deloitte Touche Tohmatsu and represents the views of the firm. It does not represent my personal views as a board member of the AUASB.*

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Appendix 1 – Response to specific questions posed within ED 540

Overall Questions

1. Has ED 540 been appropriately updated to deal with evolving financial reporting frameworks as they relate to accounting estimates?

We acknowledge that ED 540 attempts to address limitations and challenges associated with the extant ISA 540, and we support the project to update ISA 540 so that it is more aligned with the current environment and relevant for evolving financial reporting frameworks, such as incorporating elements to assist in dealing with accounting estimates arising from the revised International Financial Reporting Standard 9 – Financial Instruments (“IFRS 9”).

Having said this, it seems that the drafting of ED 540 is predominantly focussed on auditing accounting estimates that would typically arise for financial institutions in accordance with IFRS 9 and as such, we have identified a number of concerns associated with ED 540 which, in our view, preclude ED 540, from meeting its intended purpose and being effectively implemented, being:

- The applicability of the standard across different types and sizes of entities and accounting estimates,
- The practical implementation considerations of the standard,
- The responsibilities of the auditor versus management,
- The length and prescriptive nature of the standard.

The applicability of the standard across different types of entities and accounting estimates

We believe that further guidance is needed within ED 540 as to how the requirements scale based on the particular type of entity (for example, the different size, complexity or sophistication of an entity) and the nature of the specific accounting estimate will assist in the practical implementation of the requirements.

We note that ED 540 includes examples of common account balances where accounting estimates exist and whether they would generally be considered low inherent risk or not. Whilst acknowledging the intention of assisting auditors with practical examples, it appears to remove the professional judgement to be applied depending on the specific facts and circumstances. It creates an expectation for the practitioner to categorise and address the listed accounting estimates in a prescribed manner and doesn't provide comparison information to assist in determining what combination of factors may lead to a low inherent risk or other than low inherent risk conclusion.

The practical implementation considerations of the standard

We are of the view that the level of effort required to practically implement the requirements within ED 540 on the part of both the practitioner (in complying with all of the prescribed requirements and auditing the supporting evidence) and the client (in originating the supporting documentation) will increase significantly both in time and cost.

We acknowledge and are fully supportive of the extensive consultations that have taken place prior to the issuance of ED 540, however we recommend that further consultation is held specifically with management and those charged with governance of different entities across a range of industries in order to obtain a more granular understanding of the potential impact of implementation. In addition, priority should be given to communicating with and educating management and those charged with governance as to the changes included within ED 540 (compared to the extant ISA 540) and the expected impact on their responsibilities as well as the extent of the extra work required to be performed by the auditors and thus resultant cost.

The responsibilities of the auditor versus management

The designation of responsibilities between the auditor and management is sometimes unclear which may lead to confusion and potentially an increase in scope of the auditor's responsibilities if applied in practice. This is illustrated where the auditor is required to obtain prescribed information from management as part of auditing the accounting estimate and, in the event that certain information cannot be sourced or has not been obtained by management, ED 540 may be interpreted as requiring the auditor to prepare or originate the information to meet the requirements. Instead, ED 540 should be clearly stating that in circumstances where sufficient and appropriate audit evidence cannot be obtained from management, then the auditor will assess the impact of this in accordance with the auditing standard requirements and it may result in a modification to the opinion in the auditor's report.

Refer Q1
response ~
Still seeking
AASB input
in dealing
with specific
question.

Agreed:
Refer Q3
Introduction

Agreed:
Refer
Q 3.2 +
Q 2.3

Submission
notes ↑
work effort

Dealt with
differently
but point
made ~
Q 2.2

Refer
Q 2.2

The length and prescriptive nature of the standard

Refer
Q 2.3

It seems that the IAASB is moving away from the concept of principle based standards and towards the opposite end of the spectrum being more prescriptive and checklist driven. The extensive length and prescriptive nature of the requirements and guidance of the standard may hinder the ability of the practitioner to exercise professional judgement based on the specific facts and circumstances of the engagement.

2. Do the requirements and application material of ED 540 appropriately reinforce the application of professional scepticism when auditing accounting estimates?

Refer
Q 2
intro

We acknowledge that ED 540 does reference professional scepticism in the following two areas:

- The need to consider management bias,
- The requirement to "stand back" to consider and evaluate whether the estimate is reasonable in the overall risk assessment context.

*

Discuss
With AASB

- comprehensive
- explicit.

We note that overall ED 540 is very prescriptive in nature (as indicated above) but this same philosophy has not been applied when incorporating the concept of professional scepticism. If the decision has been made by the IAASB to incorporate more detailed and specific requirements and guidance relating to the application of professional scepticism within individual auditing standards rather than a centralised location (for example, ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with Australian Auditing Standards*), then we believe it should be embedded comprehensively throughout the standard to provide more direct, practical and useful assistance to practitioners.

Apart from the two exceptions (as noted above), ED 540 lacks explicit reference to the exercising of professional scepticism, as well as guidance as to what this means in practice for the auditor, what types of procedures may be performed, how to assess contradictory evidence and the expectation of what would constitute appropriate documentation specifically in the context of auditing accounting estimates.

Refer
Q 2.3

Given the inherent risk commonly associated with accounting estimates, particularly in relation to estimation uncertainty, complexity and judgement, the relevant level and application of professional scepticism becomes even more critical for the auditor. As a result, specific requirements and guidance relating to the application of professional scepticism should be incorporated within ED 540, including appropriate wording that prompts practitioners to "critically assess" or "challenge", rather than just accepting and relying on management's information or views. This would assist the practitioner in practically implementing and satisfying the requirements of ED 540, as well as meeting the expectations of regulators and other stakeholders.

Consequently, our view is that ED 540 should be more overt in articulating the practitioner's responsibilities in this regard, and to what extent professional scepticism should be exercised.

Focus on Risk Assessment and Responses

3. Is ED 540 sufficiently scalable with respect to auditing accounting estimates, including when there is low inherent risk?

Intro to
Q 3

We have identified a number of potential challenges in relation to the scalability of ED 540 which are outlined below.

As indicated above, we are of the view that ED 540 is drafted predominantly to include requirements and application guidance relevant for auditing accounting estimates stemming from IFRS 9, and as a result, it does not necessarily easily allow for the scaling or tailoring of these requirements to the broader population of common accounting estimates.

Examples of the key challenges relating to scalability are as follows:

Dealt with
differently
but same
message
Q 3.2

Complex versus non-complex accounting estimates

Paragraph 13(a) outlines criteria in assessing whether an accounting estimate is complex, and among other attributes, identifies "modelling and specialised skills and knowledge" as an indicator of complexity. What is unclear from ED 540 is that in situations where these factors are not present, to what extent does the nature and extent of audit procedures change as a result.

Low inherent risk

ED 540 introduces a new concept relating to "low inherent risk" which then flows through to altering the nature and extent of audit procedures performed and sufficient evidence obtained when auditing accounting estimates.

More broadly, we question whether ED 540 is the appropriate mechanism through which to introduce the concept of low inherent risk as it is not consistent with other auditing standards and is not only relevant to auditing accounting estimates. Perhaps the revised ISA 315 would be a more appropriate channel through which to introduce, define and articulate the concept of low inherent risk and the impact it has across different areas of the audit (for example, risk assessment procedures).

Furthermore, there are a number of practical implementation challenges associated with the incorporation of the low inherent risk concept within ED 540:

- The distinction between "low inherent risk" and "other than low inherent risk" is treated as a discrete difference, however in practice, the differentiation would be more linear, and accounting estimates would likely land partly in both categorisations.
- Given the inherent nature of accounting estimates, where a risk of material misstatement has been identified, we envisage that it would be a challenge documenting and justifying the accounting estimate as being "low inherent risk".

We highlight our concern with the specific examples provided in paragraphs A72 and A73 as to what constitutes "low inherent risk" and "not low inherent risk". Risk assessment decisions vary across all engagements based on the application of professional judgement and are dependent on the specific facts and circumstances. Including examples in this context reduces the degree of professional judgement that can be applied, and exposes practitioners to questioning from regulators as to why their conclusions did not align with the auditing standard. As a consequence, we envisage that it would be challenging for practitioners to justify a low inherent risk classification for items listed in paragraph A73, and does not take into consideration the three elements of complexity, judgement and estimation uncertainty.

We further note a large change in prescribed procedures depending on the "low inherent risk" or "not low inherent risk" classification. As a result of the large difference, this also reduces the ability of the practitioner to scale the audit response appropriately in the context of the risk assessment, particularly as there is no intervening risk classification option in between "low" and "not low".

Applicability for small and medium enterprises (SME's)

The prescriptive requirements of ED 540 in relation to the auditing procedures to be performed and the audit evidence required to be obtained will be particularly onerous for SME's. ED 540 does not indicate to what extent audit procedures or evidence requirements can be scaled for entities in the SME space.

Impact of prescriptive nature of the standard

As ED 540 is less "principles based" than the extant ISA 540, and more prescriptive in nature, we are of the view that this "rules based approach" will cause practitioners to adopt a checklist mentality, and as a result further limit the application of professional judgment by the auditor. From a scalability perspective, unless ED 540 provides clearer guidance as to the scalability of the standard, practical implementation difficulties will occur as a result of overlaying onerous requirements to all circumstances instead of when they are specifically warranted (for example, expected credit loss estimates included within IFRS 9).

4. When inherent risk is not low (see paragraphs 13, 15 and 17-20):

- Will these requirements support more effective identification and assessment of, and responses to, risks of material misstatement (including significant risks) relating to accounting estimates, together with the relevant requirements in ISA 315 (Revised) and ISA 330?*
- Do you support the requirement in ED 540 (Revised) for the auditor to take into account the extent to which the accounting estimate is subject to, or affected by, one or more relevant factors, including complexity, the need for the use of judgment by management and the potential for management bias, and estimation uncertainty?*

Refer
Q 3.1

Covering
letter
Point 2

Refer
Q 3.2

Refer Q3.1
~
Combined
risk
assessment

Refer Q3

Refer
Cover letter
point 4 &
Q 2.3

c) *Is there sufficient guidance in relation to the proposed requirements in paragraphs 17 to 19 of ED 540? If not, what additional guidance should be included?*

We believe that the requirements within paragraphs 13, 15 and 17-20 do not sufficiently articulate the nature and extent of how the practitioner should respond to accounting estimates which are "not low" from an inherent risk perspective. We refer back also to our comments made above in relation to the inclusion of the "low" and "not low" inherent risk concepts.

Defining what constitutes a "not low" inherent risk accounting estimate

We are of the view that ED 540 needs to clearly define the criteria under which an inherent risk is deemed to be "not low". We acknowledge that paragraphs 17-19 attempt to refer to "significant data" and "significant assumptions" as being indicators that an accounting estimate is "not low", however because no definition or explanation is provided as to what "significant" represents, the ability of the practitioner to effectively identify and assess risks of material misstatement is hindered.

We note that ED 540 defines the aforementioned terms in the explanatory guidance, however we propose that these definitions be moved to the definition section, and the explanatory guidance is instead utilised to assist practitioners in understanding how we incorporate these factors appropriately in the context of risk identification and assessment.

One or more relevant factors

We acknowledge the intent and purpose of articulating the three relevant factors (complexity, judgement and estimation uncertainty) to assist practitioners in establishing a framework to identify and assess risks associated with accounting estimates.

However, practically we envisage difficulty in how these categorisations are evaluated and the interplay in the context of risk identification and assessment, particularly as we note that it is difficult to envisage a scenario where an accounting estimate does not contain elements of at least two of the three categories, and if so, does it create an onerous burden whereby as soon as an accounting estimate meets the criteria of only one of the relevant factors, every procedure prescribed in ED 540 will be applicable.

Sufficiency of guidance

We are of the view that paragraphs 17-19 do not provide sufficient guidance as to the nature and extent of procedures to be performed by practitioners, particularly in relation to whether the requirements apply in all circumstances, or whether the requirements are scalable (refer to our discussion on scalability in our response to question 3 above). Further areas where paragraphs 17-19 need clarification include:

- To what extent is documentation of the prescribed requirements needed or expected, particularly where an item is not applicable to a specific engagement, → PJ

- If the entity is unable to provide documentation (for example, evidence of management taking appropriate steps to understand and address estimation uncertainty (paragraph 19(b)(i)), does the onus then shift to the practitioner in producing this documentation. Does this not imply a potential modification to the opinion in the auditor's report? Additionally, where management does not have an appropriately documented model which determines the point estimate, is the practitioner required to develop the point estimate or range, by developing their own model? We are of the view that this may create a risk where the practitioner is obligated to originate information which should be in the domain of management's responsibilities (refer to our response to question 1, included above),

- As discussed previously in our response to question 2, to what extent should professional scepticism be specifically incorporated into addressing the requirements?

- Will the practitioner have the knowledge and expertise to action all of these requirements? If not, under what circumstances will the practitioner be expected to engage experts?

- Is estimation uncertainty more significant a driver than judgement and complexity? If so, should additional audit effort be placed on this category compared to the other two?

- We note that Paragraph A97 is inconsistent with what has been described in paragraph 15(b) of the standard, which prescribes appropriate procedures to address the various elements of complexity, judgement and estimation uncertainty. Paragraph A97 indicates that ED 540 does not contain any requirement in what

Partly in
Q 3.1
⊕ AUASB
- significant
Q for AUASB:
→ Do you agree to include?

Refer
Q 4.1

⊕ AUASB
- level of detail
↓ Q for AUASB
Agree?

Partly through
Q 2.2

Refer Para
10(e)(iv)

Partly through
Q 4 intro

Matters to consider /
Obtain SAAS
≠ Procedures

procedures to undertake when there is a "not low" inherent risk scenario. This appears contrary to what paragraph 15(b) describes.

5. *Does the requirement in paragraph 20 (and related application material in paragraphs A128–A134) appropriately establish how the auditor's range should be developed? Will this approach be more effective than the approach of "narrowing the range", as in extant ISA 540, in evaluating whether management's point estimate is reasonable or misstated?*

We are of the view that further guidance is required in order to clarify the expectations of when an auditor's range should be developed, and how an auditor's range is utilised in evaluating management's point estimate.

We understand that, unlike the extant ISA 540 where the practitioner is required to reduce the range to what is reasonable, under ED 540 the practitioner is instead required to develop a point estimate or, if deemed appropriate, develop an auditor's range under which management's point estimate is accepted if it falls within the auditor's range. We note that neither paragraph 20 nor the related application material clearly indicate under what circumstances an auditor's range is more appropriate than a point estimate. It is also not clear on how materiality is considered in this context.

In meeting the requirements for ED 540, the practitioner is creating an auditor's range through the process and in the course of doing so may develop alternative assumptions used by management. Practically we request guidance on what this would mean for the practitioner. For example, if management has not addressed the estimation uncertainty, then is the difference between management's point estimate and the auditor's point estimate or range automatically a judgemental misstatement?

Furthermore, paragraph A128 indicates that in developing an auditor's range, the auditor is designing and performing a substantive analytical procedure. It is unclear if the auditor is required to construct an independent estimate for the purposes of evaluating management's point estimate, or if the auditor's range is designed to be a reasonable range based on our evaluation of management's point estimate.

We suggest that this concept may commonly result in ranges with large differences between the lower and upper thresholds, resulting in a low standard of test for which management's point estimate is evaluated against. The requirements do not indicate how large differences between the auditor's range and management's estimates need to be assessed when due to the different sources of information used.

Considerable professional judgement and professional scepticism is envisaged to be required when determining this range, and we recommend that ED 540 be updated to incorporate further guidance in the considerations to be applied when evaluating a point estimate with a range, and secondly, in determining the auditor's range as well as the interplay with materiality as determined by the practitioner.

6. *Will the requirement in paragraph 23 and related application material (see paragraphs A2–A3 and A142–A146) result in more consistent determination of a misstatement, including when the auditor uses an auditor's range to evaluate management's point estimate?*

Our view is that consistent determination of misstatements will continue to be a challenge in relation to:

- The difficulty in determining whether there is a misstatement, and
- If there is a misstatement, determining the amount of the misstatement

In relation to determining whether there is a misstatement, ED 540 does not provide guidance on how practitioners assess and evaluate differences between the auditor's range and management's estimate, where the difference has arisen due to different sources of information or assumptions used. Consequently this will impact on how consistently practitioners conclude on the difference and when a misstatement exists.

Additionally, where a misstatement has been identified, the amount that should be calculated and recorded as a misstatement is not clear from the guidance within ED 540. Given that the auditor's range is an estimate and has an upper and lower threshold, we would expect to experience variability in relation to when a misstatement is identified, how a misstatement is calculated and thus the amount of the misstatement.

Consider
Addressed
through
Q 5
Q 5.1
Q 5.2
Q 5.3

Q
5.2
address
Hierarchy

Covered
Q 5.3

Consider
Addressed
through
Q 5.3

Consider
Application Para
A 14.5 covers
this

7. *With respect to the proposed conforming and consequential amendments to ISA 500 regarding external information sources, will the revision to the requirement in paragraph 7 and the related new additional application material result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources?*

We acknowledge that the amendments to ISA 500 provide further clarity in relation to information used as audit evidence by specifically referring to information obtained from an external information source.

We highlight that the proposed amendments to ISA 500 are limited to revision of the requirement in paragraph 7 and stand-alone additional application material included within paragraphs A1A–A1C and A33A–A33H and that it specifically states that these amendments are relevant for external information sources. Based on this, **is the intention that all the other current requirements and guidance, are only relevant to internal information sources** or are they applicable to both internal and external information sources?

We recommend that further clarification be provided as to how the requirements and application material should be applied to internal and external information sources, especially within the section entitled “Audit Procedures for Obtaining Audit Evidence” that incorporates guidance relating to the different types of procedures that may be performed (for example, inspection and external confirmation) and within the section entitled “Relevance and Reliability” as this includes guidance relating to the relevance and reliability of the information to be used as audit evidence.

Additionally, we draw attention to the new paragraph A33B of ED 540 which includes considerations about the relevance and reliability of information obtained from an external information source and specifically to the fifth bullet point which states that “When available, information about the methods used in preparing the information, how the methods are being applied including, where applicable, how models have been used in such application, and the controls over the methods.” Our view is that the circumstances under which such information is likely to be readily available will be quite limited (predominantly situations where formal reports are issued by service organisations). We recommend that **further guidance** is included to provide assistance to practitioners in understanding what “when available” actually means and determining in what circumstances this would be appropriate.

Request for General Comments

8. *In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:*

(a) *Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-540.*

Q 8 a

[We have not noted any significant issues in relation to the translation of ED 540 to an Australian environment.

(b) *Effective Date—Recognizing that ED 540 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods ending approximately 18 months after the approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA*

Q 8 b

[We agree with an extended time period of between 18 to 24 months between the release date and effective date of the standard, in order to assist with effective implementation.

Given that ED 540 has changed considerably from the extant ISA 540, is much more extensive and contains a number of prescriptive requirements, allowing extended time enables management to establish the appropriate processes, controls and documentation required to enable the auditor to address the requirements of ED 540. As a result, we support an appropriate timeframe for this to occur, in conjunction with appropriate communication and education of the business community with respect to management’s and the auditor’s responsibilities under ED 540 (as included in our response above).

* IAASB



First time
matters
raised

Q Agree?

AWASB

↳ Suggest include points of Detail

Appendix 2 – Other specific comments relating to proposed changes within ED 540

ED 540 Paragraph	Comment
Other Items	
Paragraph 18(a)(i)a.	With respect to the statement: <i>“Are appropriate in the context of the measurement objectives and other requirements of the applicable financial reporting framework”</i> , we recommend that further guidance is included on the interpretation of the references made to “measurement objectives” and “requirements of the applicable financial reporting framework”.
Paragraph 21(a)	The disclosures paragraph includes reference to: <i>“...whether management has provided the disclosures beyond those specifically required by the framework...”</i> . It is not clear what this actually means given that it is standard wording included with reference to a fair presentation framework. Is there an expectation that management would need to disclose additional disclosures beyond those specified within the applicable accounting standards? We recommend that this wording is updated or further guidance is provided to clarify the requirements and expectations.
Paragraphs A24 and A25	These paragraphs include reference to what is included in management’s processes and what the auditor may consider in obtaining an understanding of how management makes the accounting estimate. We believe that they should also include other common considerations such as: who is involved in the process, the use of experts, the IT systems used and whether internal and/or external information sources are used.
Paragraph A29	It currently states: <i>“A model is complex when: ...</i> <ul style="list-style-type: none"> • <i>Relevant and reliable data needed for use in the model is difficult to obtain;</i> • <i>The integrity of the data is difficult to maintain; ...”</i> <p>We specifically note the reference to “difficult” in both of the bullet points. As this term is relative and can have different meanings, we suggest that guidance is included as to how to assess what constitutes “difficult” which will practically benefit practitioners.</p>
Paragraph A33	The last section of this paragraph states: <i>“Assumptions may be made or identified by a management’s expert to assist management in making the accounting estimates. Such assumptions, when used by management, become management’s assumptions.”</i> There is no reference to assessing the management’s expert, the scope of their work and how this impacts management’s accounting estimate. Is this implying that these procedures would not need to be performed by the auditor?
Paragraph A43	We note that the following statement is included at the end of this paragraph: <i>“A failure by management to apply the required specialized skills or knowledge, including engaging an expert when management does not otherwise have access to an individual with such skills and knowledge, increases control risk.”</i> Our view is that the potential increase in risk is not only limited to control risk - it may also or alternatively increase the inherent risk.
Editorial Changes	
Paragraph 3(a)(ii)	We propose streamlining the wording as follows: Current wording: <i>“...whether data is obtained from internal sources or from external information sources.”</i> Proposed wording: <i>“...whether data is obtained from internal or external information sources.”</i>
Paragraph 9(c) and Appendix 2, paragraph 4	We note that the definition of estimation uncertainty in paragraph 9(c) and paragraph 4 of Appendix 2 in ED 540 are not consistent.

	<p>Paragraph 9(c) states: <i>“Estimation uncertainty – The susceptibility of an accounting estimate to an inherent lack of precision in its measurement.”</i></p> <p>Paragraph 4 in Appendix 2 states: <i>“Estimation uncertainty is the inherent uncertainty that makes accounting estimates susceptible to a lack of precision in their measurement.”</i></p>
Paragraph 20	We note that this paragraph does not contain a cross reference to the applicable application guidance paragraphs A128 to A134.
Paragraph 26	We recommend that the wording be updated from <i>“the auditor is required to communicate”</i> to <i>“the auditor shall communicate”</i> .
Paragraphs A4-A8	<p>Additional information relating to the specific definitions applicable to this standard is included within the ‘Application and Explanatory Material section of the standard’. We recommend that this information is either moved to be incorporated as part of the definition (in paragraph 9) or is removed entirely as it is not adding any further guidance.</p> <p>For example, paragraph A6 relating to Estimation Uncertainty simply states: <i>“Estimation uncertainty is an inherent characteristic of accounting estimates. The nature and implications of estimation uncertainty are discussed further in Appendix 2.”</i> In this example, we recommend that the first sentence is deleted and reference to Appendix 2 is included in paragraph 9.</p>
Paragraph A17	We suggest deleting the words “to make” after the reference to “complex”, so that the sentence instead reads as follows: <i>“...whether the accounting estimates are complex, require significant judgement by management, or have high estimation uncertainty.”</i>
Paragraph A35	We suggest that the definitions for “significant assumptions” and “significant data” be moved to the definitions section of the standard (paragraph 9).
Paragraph A41	The wording of the 4th bullet point doesn’t read well: <i>“The consistency of the data used with data used in previous periods.”</i> We recommend that the wording be changed to include reference to “in comparison” with the proposed wording as follows: <i>“The consistency of the data used in comparison with data used in previous periods.”</i>
Paragraph A65	The second last sentence of this paragraph (starting with <i>“For example,”</i>) includes a typo. The current wording is: <i>“...the outcome of a previous period’s fair value accounting estimates...”</i> – it should be changed to <i>“accounting estimate”</i> instead.
Paragraph A76	We recommend that the wording “that specifically address the risk” be included at the end of the last sentence so it reads as follows: <i>“...the auditor is required to obtain an understanding of the entity’s controls, including control activities that specifically address the risk.”</i>
Appendix 1, paragraph 9	We propose deleting the word “ <u>statement</u> ” from: <i>“...that reflect the cost paid or consideration given (and transaction costs) for a statement asset acquired or built”</i> (and making reference to “an asset” instead).