



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 6.0
Meeting Date: 4 December 2018
Subject: ASA 540 *Auditing Accounting Estimates and Related Disclosures*
Date Prepared: 16 November 2018

Action Required

For Information Purposes Only

Agenda Item Objectives

The objectives of this agenda item is for the AUASB to **approve** to issue:

- ASA 540, *Auditing Accounting Estimates and Related Disclosures*; and
- Conforming Amendments to other ASAs through Auditing Standard 2018-2 *Amendments to Australian Auditing Standards*.
- ASA 540 Explanatory Memorandum (Agenda Item 6.1.4)

Additionally, this Agenda Item provides the AUASB with a listing of implementation guidance areas that need to be taken forward and addressed, the AUASB is asked to **consider and provide input** into this listing (refer Agenda Item 6.1.3).

Background

A detailed discussion of the background and an analysis of the comments received by the AUASB on ED 03/18 ASA 540 *Auditing Accounting Estimates and Related Disclosures* and ED 04/18 Proposed Auditing Standard 2018-2 *Amendments to Australian Auditing Standards* and their related disposition by the AUASB Audit Technical Group was presented at the 29 October 2018 AUASB meeting.

At that meeting, the AUASB did not identify any compelling reason amendments. Additionally, in New Zealand, the NZAuASB approved the issue of ISA (NZ) 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* and related conforming amendments at its 24 October 2018 meeting with no compelling reason modifications.

Furthermore, at the 29 October 2018 AUASB, the AUASB agreed that all implementation issues raised by Australian stakeholders through the Australian Exposure Draft process would be shared with the IAASB ISA 540 implementation working group. The AUASB agreed that issued raised are not Australian specific and are best suited to be addressed at a global level. Where the IAASB does not appropriately address matters, the AUASB will then work with other National Standard Setters to address and provide implementation guidance:

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.

Matters to Consider

1. The AUASB is asked to **consider and approve** the final ASA 540 and related Conforming Amendments to ASAs and Other Pronouncements, with no compelling reasons modifications.
 - a) *ASA 540* (Agenda Item 6.1.1.):
ASA 540 mirrors ISA 540 with no Australian specific amendments
 - b) *Amending Standard* (Agenda Item 6.1.2):
The Amending Standard, Auditing Standard 2018-2 *Amendments to Australian Auditing Standards* includes the following amendments:
 - i. consequential and conforming amendments arising as a result of ASA 540 (directly taken from the IAASB);
 - ii. amendments arising from other standards being impacted by the consequential and conforming amendments arising as a result of ASA 540 (to reflect insertions and paragraph/footnote reference impacts); and
 - iii. other minor editorials (eg: while the standards are open, updating references to Regulatory Guides)
2. The AUASB is asked to **consider and provide input into** the listing of implementation guidance areas that will be raised by the Chair with the IAASB implementation working group (Agenda Item 6.1.3).

Communications and Timing

The Audit Technical Group (ATG) plan to release ASA 540 and ASA 2018-2 by the end of December 2018. The ATG will work with the Chair and Technical Director on the communications plan for the release of the standards. Communications will include:

- an email alert to all AUASB subscribers;
- a web alert/communication;
- newsletter notifications; and
- the ATG running sessions at the CAANZ 2019 conference across states through the first half of 2019.

Material Presented

Agenda Item 6.0	AUASB Board Meeting Summary Paper
Agenda Item 6.1.1	<i>ASA 540 Auditing Accounting Estimates and Related Disclosures</i>
Agenda Item 6.1.2	<i>Auditing Standard 2018-2 Amendments to Australian Auditing Standards</i>
Agenda Item 6.1.3	ASA 540 - Summary of Implementation Guidance Areas
Agenda Item 6.1.4	ASA 540 Explanatory Statement
