EXPOSURE DRAFT

ED 17/08
(November 2008)

Proposed Auditing Standard ASA 320 *Materiality in Planning and Performing an Audit* (Revised and Redrafted) (Re-issuance of ASA 320)

Issued for Comment by the **Auditing and Assurance Standards Board**

Australian Government
Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by no later 15 December 2008. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne Victoria 8007
AUSTRALIA
E-mail: edcomments@auasb.gov.au

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au.

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au. Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until no later 15 December 2008 by contacting:

The Auditing and Assurance Standards Board
Level 7
600 Bourke Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
Fax: (03) 8080 7450
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204
Collins Street West
Melbourne Victoria 8007
AUSTRALIA

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PREFACE

Reasons for Issuing ED 17/08

The Auditing and Assurance Standards Board (AUASB) is proposing to re-issue Auditing Standard ASA 320 *Materiality and Audit Adjustments* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC), has undertaken a programme to redraft, in “clarity” format, the entire suite of International Standards on Auditing (ISAs). In some cases, and in accordance with normal practice, the ISAs have been revised in addition to being redrafted. The redrafted ISAs are effective for audits of financial statements for periods beginning on or after 15 December 2009.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and to make appropriate consequential amendments to the Australian Auditing Standards. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

Main Proposals

This proposed Auditing Standard establishes mandatory Requirements and provides Application and Other Explanatory Material regarding the auditor's responsibility to apply the concept of materiality in planning and performing an audit of a financial report.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 January 2010.

Main changes from existing ASA 320 *Materiality and Audit Adjustments* (April 2006)

The main differences between this proposed Auditing Standard and the Auditing Standard that it supersedes, ASA 320 *Materiality and Audit Adjustments* (April 2006), are included in the Tables of Differences provided as an attachment to this Exposure Draft.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of Auditing Standard ASA 320, *Materiality and Audit Adjustments* by no later than 15 December 2008. The AUASB is seeking comments on the main changes from the existing ASA 320. In addition, respondents are asked to consider and respond to the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?

2. Are there any references to relevant laws or regulations that have been omitted?

3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?

4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the Requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?

5. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the main changes to the Requirements of this proposed Auditing Standard are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the Auditing Standard.

AUASB Information Note

The IAASBs "Clarity" project is not yet complete, and accordingly there is a possibility that the equivalent underlying ISA standard to this Exposure Draft will include conforming amendments arising from standards not yet approved by the IAASB. While all currently known conforming amendments are incorporated into this Exposure Draft, readers are advised that the AUASB may decide to make further conforming amendments, in line with those of the IAASB.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 320 *Materiality in Planning and Performing an Audit* (Revised and Redrafted) pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 100 *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards are to be understood, interpreted and applied.

AUDITING STANDARD ASA 320

Materiality in Planning and Performing an Audit (Revised and Redrafted)

Application

Aus 0.1 This Auditing Standard applies to:

(a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and

(b) an audit of a financial report for any other purpose.

Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

Aus 0.3 This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2010.

Introduction

Scope of this ASA

1. This Auditing Standard deals with the auditor's responsibility to apply the concept of materiality in planning and performing an audit of a financial report. ASA 450 (Revised and Redrafted)[1] explains how materiality is applied in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial report.

Materiality in the Context of an Audit

2. Financial reporting frameworks often discuss the concept of materiality in the context of the preparation and presentation of a financial report. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that:

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[1] See ASA 450 (Revised and Redrafted), *Evaluation of Misstatements Identified during the Audit.*

- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report;
- Judgements about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
- Judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group.[2] The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

3. Such a discussion, if present in the applicable financial reporting framework, provides a frame of reference to the auditor in determining materiality for the audit. If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph 2 provide the auditor with such a frame of reference.

4. The auditor's determination of materiality is a matter of professional judgement, and is affected by the auditor's perception of the financial information needs of users of the financial report. In this context, it is reasonable for the auditor to assume that users:

   (a) Have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial report with reasonable diligence;

   (b) Understand that the financial report is prepared, presented and audited to levels of materiality;

   (c) Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and

2 For example, the F*ramework for the Preparation and Presentation of Financial Statements,* adopted by the International Accounting Standards Board in April 2001, indicates that, for a profit-oriented entity, as investors are providers of risk capital to the enterprise, the provision of financial statements that meet their needs will also meet most of the needs of other users that financial statements can satisfy.

(d) Make reasonable economic decisions on the basis of the information in the financial report.

5. The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial report and in forming the opinion in the auditor's report. (Ref: Para. A1)

6. In planning the audit, the auditor makes judgements about the size of misstatements that will be considered material. These judgements provide a basis for:

   (a) Determining the nature, timing and extent of risk assessment procedures;

   (b) Identifying and assessing the risks of material misstatement; and

   (c) Determining the nature, timing and extent of further audit procedures.

   The materiality determined when planning the audit does not necessarily establish an amount below which uncorrected misstatements, individually or in the aggregate, will always be evaluated as immaterial. The circumstances related to some misstatements may cause the auditor to evaluate them as material even if they are below materiality. Although it is not practicable to design audit procedures to detect misstatements that could be material solely because of their nature, the auditor considers not only the size but also the nature of uncorrected misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial report.[3]

Effective Date

7. [Deleted by the AUASB. Refer Aus 0.3]

Objective

8. The objective of the auditor is to apply the concept of materiality appropriately in planning and performing the audit.

[3] See ASA 450 (Revised and Redrafted), paragraph A16.

Definition

9. For the purposes of the Australian Auditing Standards, performance materiality means the amount or amounts set by the auditor at less than materiality for the financial report as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial report as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

Requirements

Determining Materiality and Performance Materiality when Planning the Audit

10. When establishing the overall audit strategy, the auditor shall determine materiality for the financial report as a whole. If, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial report as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report, the auditor shall also determine the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures. (Ref: Para. A2-A11)

11. The auditor shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. (Ref: Para. A12)

Revision as the Audit Progresses

12. The auditor shall revise materiality for the financial report as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially. (Ref: Para. A13)

13. If the auditor concludes that a lower materiality for the financial report as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall

determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.

Documentation

14. The audit documentation shall include the following amounts and the factors considered in their determination:

    (a) Materiality for the financial report as a whole (see paragraph 10);

    (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures (see paragraph 10);

    (c) Performance materiality (see paragraph 11); and

    (d) Any revision of (a)-(c) as the audit progressed (see paragraphs 12-13).

* * *

Application and Other Explanatory Material

Materiality and Audit Risk (Ref: Para. 5)

A1. In conducting an audit of a financial report, the overall objectives of the auditor are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial report is prepared, in all material respects, in accordance with an applicable financial reporting framework; and to report on the financial report, and communicate as required by the Australian Auditing Standards, in accordance with the auditor's findings.[4] The auditor obtains reasonable assurance by obtaining sufficient appropriate audit evidence to reduce audit risk to an acceptably low level.[5] Audit risk is the risk that the auditor expresses an inappropriate audit opinion when the financial report is materially misstated. Audit risk is a function of the risks of material misstatement and detection risk.[6] Materiality and audit risk are considered throughout the audit, in particular, when:

(a) Identifying and assessing the risks of material misstatement;[7]

(b) Determining the nature, timing and extent of further audit procedures;[8] and

(c) Evaluating the effect of uncorrected misstatements, if any, on the financial report[9] and in forming the opinion in the auditor's report.[10]

Aus A1.1 The Australian Accounting Standards[*] explain the role of materiality in making judgements in the preparation and presentation of financial reports by the entity. This Auditing Standard explains the role of materiality in

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4 See ASA 200 (Revised and Redrafted), *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 11.
5 See ASA 200 (Revised and Redrafted), paragraph 17.
6 See ASA 200 (Revised and Redrafted), paragraph 13(c).
7 See ASA 315 (Revised and Redrafted), *Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and Its Environment.*
8 See ASA 330 (Revised and Redrafted), *The Auditor's Responses to Assessed Risks.*
9 See ASA 450 (Revised and Redrafted).
10 See ASA 700 (Revised and Redrafted), *Forming an Opinion and Reporting on a Financial Report.*
* See AASB 1031 *Materiality*.

planning an audit and evaluating audit evidence. This includes:

- establishing a preliminary materiality level to plan audit procedures and selection strategies;
- assessing both qualitative and quantitative materiality factors when evaluating the results of audit procedures; and
- re-assessing the preliminary materiality level used in planning the audit, based on the outcomes of audit procedures and actual results for the period, to determine whether there is a need to extend audit procedures.

Determining Materiality and Performance Materiality when Planning the Audit (Ref: Para. 10)

Considerations Specific to Public Sector Entities

A2. In the case of a public sector entity, legislators and regulators are often the primary users of its financial report. Furthermore, the financial report may be used to make decisions other than economic decisions. The determination of materiality for the financial report as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) in an audit of the financial report of a public sector entity is therefore influenced by legislative and regulatory requirements, and by the financial information needs of legislators and the public in relation to public sector programs.

Use of Benchmarks in Determining Materiality for the Financial Report as a Whole

A3. Determining materiality involves the exercise of professional judgement. A percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial report as a whole. Factors that may affect the identification of an appropriate benchmark include the following:

- The elements of the financial report (for example, assets, liabilities, equity, revenue, expenses);

- Whether there are items on which the attention of the users of the particular entity's financial report tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue or net assets);

- The nature of the entity, where the entity is in its life cycle, and the industry and economic environment in which the entity operates;

- The entity's ownership structure and the way it is financed (for example, if an entity is financed solely by debt rather than equity, users may put more emphasis on assets, and claims on them, than on the entity's earnings); and

- The relative volatility of the benchmark.

A4. Examples of benchmarks that may be appropriate, depending on the circumstances of the entity, include categories of reported income such as profit before tax, total revenue, gross profit and total expenses, total equity or net asset value. Profit before tax from continuing operations is often used for profit-oriented entities. When profit before tax from continuing operations is volatile, other benchmarks may be more appropriate, such as gross profit or total revenues.

A5. In relation to the chosen benchmark, relevant financial data ordinarily includes prior periods' financial results and financial positions, the period-to-date financial results and financial position, and budgets or forecasts for the current period, adjusted for significant changes in the circumstances of the entity (for example, a significant business acquisition) and relevant changes of conditions in the industry or economic environment in which the entity operates. For example, when, as a starting point, materiality for the financial report as a whole is determined for a particular entity based on a percentage of profit before tax from continuing operations, circumstances that give rise to an exceptional decrease or increase in such profit may lead the auditor to conclude that materiality for the financial report as a whole is more appropriately determined using a normalised profit before tax from continuing operations figure based on past results.

A6. Materiality relates to the financial report on which the auditor is reporting. Where the financial report is prepared for a financial reporting period of more or less than twelve months, such as may be the case for a new entity or a change in the financial reporting period, materiality relates to the financial report prepared for that financial reporting period.

A7. Determining a percentage to be applied to a chosen benchmark involves the exercise of professional judgement. There is a relationship between the percentage and the chosen benchmark, such that a percentage applied to profit before tax from continuing operations will normally be higher than a percentage applied to total revenue. For example, the auditor may consider five percent of profit before tax from continuing operations to be appropriate for a profit-oriented entity in a manufacturing industry, while the auditor may consider one percent of total revenues or total expenses to be appropriate for a not-for-profit entity. Higher or lower percentages, however, may be deemed appropriate in the circumstances.

Considerations Specific to Small Entities

A8. When an entity's profit before tax from continuing operations is consistently nominal, as might be the case for an owner-managed business where the owner takes much of the profit before tax in the form of remuneration, a benchmark such as profit before remuneration and tax may be more relevant.

Considerations Specific to Public Sector Entities

A9. In an audit of a public sector entity, total cost or net cost (expenses less revenues or expenditure less receipts) may be appropriate benchmarks for program activities. Where a public sector entity has custody of public assets, assets may be an appropriate benchmark.

Materiality Level or Levels for Particular Classes of Transactions, Account Balances or Disclosures

A10. Factors that may indicate the existence of one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial report as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report include the following:

- Whether law, regulation or the applicable financial reporting framework affect users' expectations regarding the measurement or disclosure of certain items (for example, related party transactions, and the remuneration of management and those charged with governance).

- The key disclosures in relation to the industry in which the entity operates (for example, research and development costs for a pharmaceutical company).

- Whether attention is focused on a particular aspect of the entity's business that is separately disclosed in the financial report (for example, a newly acquired business).

A11. In considering whether, in the specific circumstances of the entity, such classes of transactions, account balances or disclosures exist, the auditor may find it useful to obtain an understanding of the views and expectations of those charged with governance and management.

Performance Materiality (Ref: Para. 11)

A12. Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial report to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality (which, as defined, is one or more amounts) is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial report exceeds materiality for the financial report as a whole. Similarly, performance materiality relating to a materiality level determined for a particular class of transactions, account balance or disclosure is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in that particular class of transactions, account balance or disclosure exceeds the materiality level for that particular class of transactions, account balance or disclosure. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgement. It is affected by the auditor's understanding of the entity, updated during the performance of the risk assessment procedures; and the nature and extent of misstatements identified in previous audits and thereby the auditor's expectations in relation to misstatements in the current period.

Revision as the Audit Progresses (Ref: Para. 12)

A13. Materiality for the financial report as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) may need to be revised as a result of a change in circumstances that occurred during the audit (for example, a decision to dispose of a major part of the entity's business), new information, or a change in the auditor's understanding of the entity and its operations as a result of performing further audit procedures. For example, if during the audit it appears as though actual financial results are likely to be substantially different from the anticipated period end financial results that were used initially to determine materiality for the financial report as a whole, the auditor revises that materiality.

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 320 *Materiality in Planning and Performing an Audit* (Revised and Redrafted), issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix "Aus".

Compliance with this Auditing Standard enables compliance with ISA 320.

Tables of Differences — ASA 320 (Revised and Redrafted) and Extant ASA 320

Underlying Standard
ISA 320 *Materiality in Planning and Performing an Audit* (Revised and Redrafted) is used as the underlying Auditing Standard for the purpose of re-drafting this proposed Auditing Standard. The underlying Auditing Standard will be amended for the following matters:

- Australian Laws and Regulations (including the *Corporations Act 2001*);
- Changes considered necessary because this Auditing Standard is a legislative instrument; and
- Changes considered necessary in the public interest.

Summary of Main Differences — ASA 320 (Revised and Redrafted) and Extant ASA 320
The table below details the main differences (excluding editorial amendments) between this proposed Auditing Standard and extant ASA 320.

Requirements in ASA (Revised and Redrafted) not in Extant ASA

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Introduction			
1	2-6	Materiality in the Context of an Audit 2. Financial reporting frameworks often discuss the concept of materiality in the context of the preparation and presentation of a financial report. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that: • Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report;	New Introduction.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		• Judgements about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and • Judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. 3. Such a discussion, if present in the applicable financial reporting framework, provides a frame of reference to the auditor in determining materiality for the audit. If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph 2 provide the auditor with such a frame of reference. 4. The auditor's determination of materiality is a matter of professional judgement, and is affected by the auditor's perception of the financial information needs of users of the financial report. In this context, it is reasonable for the auditor to assume that users: (a) Have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial report with reasonable diligence; (b) Understand that the financial report is prepared, presented and audited to levels of materiality;	

Item # 	ASA (Revised and Redrafted) Para. # 	ASA (Revised and Redrafted) Requirements	Commentary
		(c) Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and (d) Make reasonable economic decisions on the basis of the information in the financial report. 5. The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial report and in forming the opinion in the auditor's report. (Ref: Para. A1) 6. In planning the audit, the auditor makes judgements about the size of misstatements that will be considered material. These judgements provide a basis for: (a) Determining the nature, timing and extent of risk assessment procedures; (b) Identifying and assessing the risks of material misstatement; and (c) Determining the nature, timing and extent of further audit procedures. The materiality determined when planning the audit does not necessarily establish an amount below which uncorrected misstatements, individually or in the aggregate, will always be evaluated as immaterial. The circumstances related to some misstatements may cause the auditor to evaluate them as material even if they are below	

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		materiality. Although it is not practicable to design audit procedures to detect misstatements that could be material solely because of their nature, the auditor considers not only the size but also the nature of uncorrected misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial report.	
Objective			
2	8	The objective of the auditor is to apply the concept of materiality appropriately in planning and performing the audit.	New Objective.
Definition			
3	9	For the purposes of the Australian Auditing Standards, performance materiality means the amount or amounts set by the auditor at less than materiality for the financial report as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial report as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.	New Definition. ASA (Revised and Redrafted) includes the term 'performance materiality'. Extant ASA does not include this term, reference is made only to 'materiality' at [para 6].

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Determining Materiality and Performance Materiality when Planning the Audit			
4	10	When establishing the overall audit strategy, the auditor shall determine materiality for the financial report as a whole. If, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial report as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report, the auditor shall also determine the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures. (Ref: Para. A2-A11)	(1) Shaded text is an elevation of extant ASA Explanatory Guidance. [Extant ASA 320 para 15—equivalent Explanatory Guidance] (2) Unshaded text is equivalent in meaning to the extant ASA Requirement. [Extant ASA 320 para 5—equivalent Requirement]
Revision as Audit Progresses			
5	12	The auditor shall revise materiality for the financial report as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially. (Ref: Para. A13)	Elevation of extant ASA Explanatory Guidance. [Extant ASA 320 para 23—equivalent Explanatory Guidance]
6	13	If the auditor concludes that a lower materiality for the financial report as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.	No extant ASA equivalent.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Documentation			
7	14	The audit documentation shall include the following amounts and the factors considered in their determination: (a) Materiality for the financial report as a whole (see paragraph 10); (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures (see paragraph 10); (c) Performance materiality (see paragraph 11); and (d) Any revision of (a)-(c) as the audit progressed (see paragraphs 12-13).	No extant ASA equivalent.