Going Concern

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Going Concern Task Force (GC TF) Chair

IAASB Meeting
September 12-16, 2022
Agenda: Selected Topics on Going Concern

Changes to Draft Standard Since June 2022 in Response to Board Input:
- Timeline
- Communication with TCWG
- Communication with Appropriate External Parities
- Transparency About Going Concern in the Auditor’s Report

Non-Authoritative Guidance Released

Terminology
Risk Identification and Assessment
Professional Skepticism
Management’s Assessment of Going Concern
September 2022 CAG Discussion

Overall:
• Broad support for proposals

Terminology:
• Support for defining material uncertainty (related to going concern)
• Highlighted importance of consistency and alignment with terminology used in the international financial reporting standards where possible
September 2022 CAG Discussion – cont.

Timeline over which the going concern assessment is made:

• Changes to the commencement date of management’s assessment viewed positively
  o Enables more “up-to-date” information to be used in management’s assessment
  o Reinforces the period of reliance users have on the entity’s ability to continue as a going concern
  o Reinforce that the FRF establishes a **minimum** 12-month period.
• Concern over the practicality of the proposals (e.g., delay to audit)
September 2022 CAG Discussion – cont.

Transparency about going concern in the auditor’s report:
  • Broad support for enhanced transparency in the auditor's report
  • Caution to avoid boilerplate

Other comments:
  • Consideration of external information when evaluating management’s assessment of going concern
## Standard-Setting Considerations

### Qualitative Standard-Setting Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Description</th>
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<tr>
<td><strong>Clarity and Conciseness</strong></td>
<td>Enhance understandability and minimize the likelihood of differing interpretations</td>
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<td><strong>Coherence</strong></td>
<td>With the overall body of standards</td>
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<td><strong>Scalability</strong></td>
<td>Addresses both less and more complex circumstances</td>
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<td><strong>Implementability</strong></td>
<td>Ability of being consistently applied</td>
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<td><strong>Comprehensiveness</strong></td>
<td>Limiting the extent of exceptions from the principles</td>
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<td><strong>Relevance</strong></td>
<td>Responding to emerging issues and changes in the business environments</td>
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- **Focused on the Targeted Actions of the Project Proposal**
Matters for the IAASB Consideration

**Question 1**

The Board is asked for its views on the GC TF initial proposals for terminology discussed in paragraphs 18-30 and as reflected in the relevant drafting paragraphs included in Agenda Item 7-A.

**Terminology**

Paras. 6–7, 9A and A2A–A2C, A8, A21–A22
Matters for the IAASB Consideration

Question 2
The Board is asked for its views on the GC TF initial proposals for risk identification and assessment discussed in paragraphs 33-49 and as reflected in the relevant drafting paragraphs included in Agenda Item 7-A.
Question 3

The Board is asked for its views on the GC TF initial proposals for the auditor’s evaluation of management’s assessment of going concern discussed in paragraphs 53-83 and as reflected in the relevant drafting paragraphs included in Agenda Item 7-A.
Matters for the IAASB Consideration

Professional Skepticism

Paras. 12A, 17A and A4C, A10C, A22A–A22C

Question 4
The Board is asked for its views on the GC TF initial proposals for professional skepticism discussed in paragraphs 87-96 and as reflected in the relevant drafting paragraphs included in Agenda Item 7-A.
Matters for the IAASB Consideration

Question 5
The Board is asked for its views on the GC TF revisions for the issues discussed in Part B and as reflected in the drafting paragraphs included in Agenda Item 7-A.

Changes Since June 2022 in Response to Board Input:

• Timeline: Paras. 13, 13A–13B, 14A and A11, A13E–A13F
• Communication with TCWG: Paras. 25 and A36A–A36C
• Communication with Appropriate External Parties: Paras. 25A and A37A–A37D
Way Forward

Monitoring jurisdictional developments, ongoing dialogue and engagement with others in the financial reporting ecosystem

Q4 2022:
• Development of exposure draft: IAASB deliberation of issues and proposals
• Coordination with other IAASB task forces, working groups and consultation groups

Q1 2023:
• IAASB approval of exposure draft (March 2023)