 Agenda Item 8-E

SUPPLEMENT TO EXPOSURE DRAFT, PROPOSED ISA 800 (REVISED AND REDRAFTED): MAPPING DOCUMENTS

This supplement to the International Auditing and Assurance Standards Board (IAASB) Exposure Draft, Proposed ISA 800 (Revised and Redrafted), "Special Considerations—Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement" has been prepared by IAASB staff to demonstrate how the material in ISA 800 (Revised) has been reflected in proposed ISA 800 (Revised and Redrafted).

Exhibit 1 identifies sentences describing auditor actions in the present tense and other relevant statements in ISA 800 (Revised) and indicates whether they are treated as a requirement or as application and other explanatory material in proposed ISA 800 (Revised and Redrafted).

Exhibit 2 maps the text of ISA 800 (Revised) (which may have been reworded as necessary) to proposed ISA 800 (Revised and Redrafted). The highlighted text identifies material that is proposed to be deleted. An explanation of the proposed deletion and other comments are provided, where appropriate.

Exhibit 3 presents proposed ISA 800 (Revised and Redrafted) and shows the source of the text from ISA 800 (Revised) (which may have been reworded as necessary).

The material included herein is provided only to assist readers of the Exposure Draft of proposed ISA 800 (Revised and Redrafted). It is for information purposes only and does not form part of the Exposure Draft. The IAASB has not approved, disapproved, or otherwise acted upon this supplement. It is neither authoritative nor an official pronouncement nor statement of the IAASB.

Exhibit 1

Proposed Disposition of the Present Tense and Other Statements

I. Those That Have Been Elevated to a Requirement or Essential Guidance

Para.	Statements in ISA 800 (Revised)	New para-graph	Rationale and comment (as necessary)
6	… An understanding of the following assists the auditor in determining the acceptability of the financial reporting framework: (a) the purpose for which the financial statements are prepared, (b) the intended users, and (c) the steps taken by management to determine that the financial reporting framework is appropriate in the circumstances. In the case of financial statements	9, 10	Due to the importance of the statements to the audit of special purpose financial statements, they have been elevated to requirements.

Para.	Statements in ISA 800 (Revised)	New para-graph	Rationale and comment (as necessary)
	prepared in accordance with the provisions of a contract, it is also important to have an understanding of any significant interpretations of the contract that have been made by management in preparing the financial information.[1]		
13	… These requirements of ISA 200 apply to an audit of special purpose financial statements. However, application of some of the requirements of the ISAs may require special consideration by the auditor …	11	Due to the importance of the statement to the audit of special purpose financial statements, it has been elevated to a requirement.
22	… These requirements of ISA 200 also apply to an audit of a specific element, account or item of a financial statement (referred to as "element" in paragraphs 23-36), irrespective of whether the auditor is also engaged to audit the entity's financial statements.	15	Due to the importance of the statement to the audit of an element, it has been elevated to a requirement.
24	As the ISAs are written in the context of financial statements, all the relevant ISAs are also to be adapted as necessary in the circumstances when applied to audits of an element …	16	Due to the importance of the statement to the audit of an element, it has been elevated to a requirement.
33	When the entity intends to publish an audited element together with its audited financial statements, the entity's presentation of the audited element should differentiate it sufficiently from the audited financial statements. The opinion on the element should also be sufficiently differentiated from the opinion on the financial statements. If the auditor concludes that the differentiation is insufficient, the auditor asks management to rectify the situation. The auditor does not issue the auditor's report on the element until satisfied with the	19	Due to the importance of the statement to the audit of an element, it has been elevated to a requirement.

[1] An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the financial statements.

Para.	Statements in ISA 800 (Revised)	New para-graph	Rationale and comment (as necessary)
	differentiation.		

II. Those That Have Been Treated as Application and Other Explanatory Material and Redrafted

Para.	Statements in ISA 800 (Revised)	New para-graph	Rationale and comment (as necessary)
10	Where the financial reporting standards referred to in paragraph 9 are supplemented by legislative or regulatory requirements, the auditor determines whether any conflicts between the financial reporting standards and the additional requirements exist. If such conflicts exist, the auditor follows the procedures in ISA 210.	A6	Reference to ISA 210, which contains standards and guidance on the auditor's actions when conflicts between the financial reporting standards and legislative or regulator requirements exist.
14	In the case of special purpose financial statements prepared for a specific purpose, management may agree with the intended users a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. Although such threshold may represent the financial information needs of the intended users for the purposes of any adjustments that may arise, it may not reflect the amount that the auditor determines as a materiality level for the purposes of the engagement in accordance with ISA 320.	A11	Reference to ISA 320, which contains standards and guidance on the auditor's determination of materiality levels.
20	The financial statements and related auditor's report may be read for purposes other than those for which they were intended. For example, certain entities may be required by a regulator to place the financial statements and related auditor's report on public record. To avoid misunderstandings, the auditor alerts readers of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.	A14	Application material to requirement in paragraph 14.
25	Furthermore, compliance with relevant requirements may not be practicable when the auditor is not also engaged to audit the entity's financial statements. In such cases, the auditor ordinarily does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's financial statements. The auditor also does not have the audit evidence about the general quality of the accounting records or	A19	Application material to the requirement in paragraph 17.

Para.	Statements in ISA 800 (Revised)	New para-graph	Rationale and comment (as necessary)
	other accounting information that would be acquired in an audit of the entity's financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In some cases, certain ISAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of ISA 570 are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, it may not be practicable to comply with those requirements, because of the audit effort required.		
26	When an audit in accordance with ISAs is not practicable, the auditor discusses with management whether another type of engagement may be more practicable.	A19	Considered to be a matter of client service rather than a requirement.
27	When the audit of the element is conducted in conjunction with the audit of the entity's financial statements, the auditor may be able to use audit evidence obtained as part of the audit of the entity's financial statements in the audit of the element. It is important, however, that the auditor plans and performs the audit of the element to obtain sufficient appropriate audit evidence to reduce audit risk for that element to an acceptably low level.	A20	Application material – other ISAs require the auditor to plan and perform the audit to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level.
30	In the case of an audit of an element, the auditor also considers whether, in view of the specific requirements of the applicable financial reporting framework, the presentation of the element provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the element.	A23	Application material to the requirement in paragraph 16.
35	When a modified opinion on the entity's financial statements or an Emphasis of Matter paragraph relates to the audited element, the auditor considers whether to modify the auditor's report on the element in a similar manner. When a modified opinion on the entity's financial statements or an Emphasis of Matter paragraph does not relate to the audited	A25	Application material to the requirement in paragraph 20.

Para.	Statements in ISA 800 (Revised)	New para-graph	Rationale and comment (as necessary)
	element, the auditor considers whether it may be necessary to refer to the modified opinion or Emphasis of Matter in an Other Matter(s) paragraph in the auditor's report on the element (see ISA 706, "Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report")		

Exhibit 2

Mapping Document

ISA 800 (Revised)	New para. ref.	Comment on proposed deletion of highlighted material, significant edits, and other notes
Introduction		
1. This International Standard on Auditing (ISA) contains additional considerations in an audit of special purpose financial statements. See paragraphs 5-21.	1	
2. As explained in ISA 200, "Objective and General Principles Governing an Audit of Financial Statements," the ISAs are written in the context of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This ISA also contains additional considerations in an audit of a specific element, account or item of a financial statement.[2] See paragraphs 22-36. Examples of specific elements, accounts or items of a financial statement are listed in the Appendix 1.	1	
3. This ISA does not override any of the standards of the other ISAs; nor does it purport to contain all the additional considerations that may be relevant in the circumstances of the engagement.	2	
4. This ISA does not apply to the report of another auditor issued as a result of work performed on the financial information of a component at the request of a group auditor for purposes of the audit of the group financial statements (see [proposed] ISA 600, "The Audit of Group Financial Statements").	3	

[2] References to "specific elements, accounts or items of a financial statement" should be read as including any related explanatory notes.

Audits of Special Purpose Financial Statements		
5. "Special purpose financial statements" are financial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users ("special purpose framework").	7	
Reference to "financial statements" in this ISA should be read as "special purpose financial statements," and can be to a complete set of financial statements or a single financial statement. The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.	8	
Considerations when Determining the Acceptability of the Applicable Financial Reporting Framework		
6. ISA 210, "Terms of Audit Engagements" contains standards and guidance for agreeing, and determining the acceptability of, the applicable financial reporting framework. In the case of special purpose financial statements, the financial information needs of the intended users are a key factor in determining the acceptability of the applicable financial reporting framework.	A4	
An understanding of the following assists the auditor in determining the acceptability of the financial reporting framework: (a) the purpose for which the financial statements are prepared, (b) the intended users, and (c) the steps taken by management to determine that the financial reporting framework is appropriate in the circumstances.	9	
In the case of financial statements prepared in accordance with the provisions of a contract, it is also important to have an understanding of any significant interpretations of the contract that have been made by management in preparing the financial information.[3]	10	
7. Examples of special purpose frameworks are: • A tax basis of accounting for a set of financial statements that accompany an entity's tax return; • The cash receipts and disbursements basis of accounting for cash flow information that an entity may	A1	

[3] An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the financial statements.

be requested to prepare for creditors; • The financial reporting provisions established by a regulator to meet the requirements of that regulator; or • The financial reporting provisions of a contract, such as a bond indenture or a loan agreement.		
8. Financial statements prepared and presented in accordance with a special purpose framework may be the only financial statements prepared by an entity and, in such circumstances, are often used by users in addition to those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements in those circumstances, the financial statements are still considered to be special purpose financial statements for purposes of the ISAs. Paragraphs 19 and 20 describe reporting considerations when these circumstances occur.	A2	
9. Where the applicable financial reporting framework encompasses the financial reporting standards established by an organization that is authorized or recognized to promulgate standards for special purpose financial statements, those standards will be presumed to be acceptable for that purpose, provided the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in preparing and presenting special purpose financial statements for certain types of entities, for example, the financial reporting provisions established by a regulator to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed to be acceptable for special purpose financial statements prepared and presented by such entities.	A5	
10. Where the financial reporting standards referred to in paragraph 9 are supplemented by legislative or regulatory requirements, the auditor determines whether any conflicts between the financial reporting standards and the additional requirements exist. If such conflicts exist, the auditor follows the procedures in ISA 210.	A6	
11. Where the applicable financial reporting framework encompasses the financial reporting provisions of a contract, or sources other than those described in paragraphs 9 and 10, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether it exhibits attributes normally exhibited by acceptable financial reporting frameworks (see ISA 210, Appendix 2). In the case of a special purpose framework, the relative importance of each of these attributes to a particular engagement is a matter of professional judgment. For example, for purposes of a balance sheet prepared to	A7	

establish the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are to be made. This may result in financial information that is not neutral, but it may nevertheless be acceptable in the circumstances of the engagement.		
12. There may be circumstances where a special purpose framework is based on, but does not comply with all the requirements of an established financial reporting framework; for example, a contract that requires financial statements to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Country X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the financial statements to imply full compliance with the established financial reporting standards. In the example of the contract above, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract.	A8	
Considerations when Planning and Performing the Audit		
13. ISA 200 requires the auditor to comply with (a) relevant ethical requirements relating to an audit engagement, and (b) all ISAs relevant to the audit. In the case of those ISAs relevant to the audit, the auditor is required to comply with the requirements of each of the ISAs in all cases where the requirements are relevant in the circumstances of the audit, unless, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement by performing alternative audit procedures to achieve the aim of that requirement.	A10	
These requirements of ISA 200 apply to an audit of special purpose financial statements. However, application of some of the requirements of the ISAs may require special consideration by the auditor. For example, in ISA 320 (Revised), "Materiality in Planning and Performing an Audit," judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group.	11	
In the case of an audit of special purpose financial statements, however, those judgments are based on a consideration of the financial information needs of the specific users.	A10	
14. In the case of special purpose financial statements prepared for a specific purpose, management may agree with the intended users a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. Although such threshold may represent the financial information needs of the intended	A11	

users for the purposes of any adjustments that may arise, it may not reflect the amount that the auditor determines as a materiality level for the purposes of the engagement in accordance with ISA 320.		
15. Communication with those charged with governance in accordance with the ISAs is based on the relationship between those charged with governance and the financial statements subject to audit, in particular whether those charged with governance have a responsibility to oversee the preparation and presentation of those financial statements. In the case of special purpose financial statements prepared for a specific purpose, those charged with governance may not have such a responsibility; for example, when the financial statements are prepared solely for management's use, or when the party engaging the auditor is not the entity responsible for the financial statements. In these cases, the requirements of ISA 260 (Revised), "Communication with Those Charged with Governance" may not be relevant to the audit of the special purpose financial statements prepared for a specific purpose, except when the auditor is also responsible for the audit of the entity's general purpose financial statements or, for example, has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial statements prepared for a specific purpose.	A12	
Forming an Opinion and Reporting Considerations		
16. **When forming an opinion on and reporting on special purpose financial statements, the auditor should apply the standards and guidance in ISA 700 (Revised), "The Independent Auditor's Report on General Purpose Financial Statements."** Additional elements of the auditor's report on special purpose financial statements are set out in paragraphs 17-21 of this ISA.	12	
Appendix 2 of this ISA contains illustrations of auditors' reports on special purpose financial statements (see Illustrations 1-3).	A13	
Description of the Applicable Financial Reporting Framework		
17. **When management has a choice of financial reporting frameworks, the reference to the applicable financial reporting framework in the statement of management's responsibility for the financial statements should be expanded to include the responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances of the engagement.**	13(b)	

18. **The reference to the applicable financial reporting framework in the statement of management's responsibility for the financial statements should make clear the purpose for which the financial statements are prepared and, if necessary, the intended users, or refer to a note in the financial statements that contains that information.**	13(a)	
Restriction on Distribution or Use		
19. The auditor's report should include a statement that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements and related auditor's report may not be suitable for another purpose. **The statement is included in a separate paragraph following the auditor's opinion.**	14	
20. The financial statements and related auditor's report may be read for purposes other than those for which they were intended. For example, certain entities may be required by a regulator to place the financial statements and related auditor's report on public record. To avoid misunderstandings, the auditor alerts readers of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.	A14	
21. The auditor may also consider including a statement in the auditor's report that it is intended solely for the intended users and should not be distributed to or used by parties other than the intended users.	A15	
Audits of Specific Elements, Accounts or Items of a Financial Statement		
Considerations when Accepting the Engagement		
22. These requirements of ISA 200 also apply to an audit of a specific element, account or item of a financial statement (referred to as "element" in paragraphs 23-36), irrespective of whether the auditor is also engaged to audit the entity's financial statements.	15	
As explained in paragraph 13 of this ISA, ISA 200 requires the auditor to comply with (a) relevant ethical requirements relating to an audit engagement, and (b) all ISAs relevant to the audit. In the case of those ISAs relevant to the audit, the auditor is required to comply with the requirements of each of the ISAs in all cases	A16	

where the requirements are relevant in the circumstances of the audit, unless, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement by performing alternative audit procedures to achieve the aim of that requirement.		
23. The relevance of each of the ISAs requires careful consideration. Although an element is the subject of the audit, ISAs such as ISA 240, "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," ISA 550, "Related Parties" and ISA 570, "Going Concern" are in principle each relevant, since the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern assumption under the applicable financial reporting framework.	A17	
24. As the ISAs are written in the context of financial statements, all the relevant ISAs are also to be adapted as necessary in the circumstances when applied to audits of an element.	16	
For example, in obtaining written representations from management, representations about the financial statements as a whole might be replaced by representations about the presentation of the element in accordance with the applicable financial reporting framework.	A18	
25. Furthermore, compliance with relevant requirements may not be practicable when the auditor is not also engaged to audit the entity's financial statements. In such cases, the auditor ordinarily does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's financial statements. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In some cases, certain ISAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of ISA 570 are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, it may not be practicable to comply with those requirements, because of the audit effort required.	17, A19	
26. When an audit in accordance with ISAs is not practicable, the auditor discusses with management whether another type of engagement may be more practicable.	A19	

Considerations when Planning and Performing the Audit		
27. When the audit of the element is conducted in conjunction with the audit of the entity's financial statements, the auditor may be able to use audit evidence obtained as part of the audit of the entity's financial statements in the audit of the element. It is important, however, that the auditor plans and performs the audit of the element to obtain sufficient appropriate audit evidence to reduce audit risk for that element to an acceptably low level.	A20	
28. Many financial statement items are interrelated, and are presented with related explanatory notes. Accordingly, when auditing an element, the auditor may not be able to consider the element in isolation. Consequently, the auditor may need to perform additional procedures to meet the objective of an audit.	A21	
29. Furthermore, the materiality level determined for the element may be lower than the materiality level or levels determined for the entity's financial statements; this will affect the nature, timing and extent of the audit procedures.	A22	
30. In the case of an audit of an element, the auditor also considers whether, in view of the specific requirements of the applicable financial reporting framework, the presentation of the element provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the element.	A23	
Reporting Considerations		
31. Unless otherwise required by law or regulation, in accordance with ISA 200 in conjunction with ISA 700, the opinion paragraph of the auditor's report on an element states that the element gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework when that framework is a fair presentation framework. In all other cases, the auditor's opinion states that the element is prepared, in all material respects, in accordance with the applicable financial reporting framework. Appendix 2 of this ISA contains an illustration of an auditor's report on a specific account (see Illustration 4).	A24	
32. **When the auditor undertakes an engagement to report on an element in conjunction with an audit of the entity's financial statements, the auditor should express a separate opinion for each of the engagements.**	18	

33. When the entity intends to publish an audited element together with its audited financial statements, the entity's presentation of the audited element should differentiate it sufficiently from the audited financial statements. The opinion on the element should also be sufficiently differentiated from the opinion on the financial statements. If the auditor concludes that the differentiation is insufficient, the auditor asks management to rectify the situation. The auditor does not issue the auditor's report on the element until satisfied with the differentiation.	19	
34. **When a modified auditor's report has been issued on an entity's financial statements, the auditor should consider the effect that this may have on the auditor's report on an element.**	20	
35. When a modified opinion on the entity's financial statements or an Emphasis of Matter paragraph relates to the audited element, the auditor considers whether to modify the auditor's report on the element in a similar manner. When a modified opinion on the entity's financial statements or an Emphasis of Matter paragraph does not relate to the audited element, the auditor considers whether it may be necessary to refer to the modified opinion or Emphasis of Matter in an Other Matter(s) paragraph in the auditor's report on the element (see ISA 706, "Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report").	A25	
36. In accordance with ISA 705, "Modifications to the Opinion in the Independent Auditor's Report," if the auditor has expressed an adverse opinion or disclaimed an opinion on the entity's financial statements as a whole, the auditor is not permitted to express an unmodified opinion on an element of those financial statements in the same auditor's report and with respect to the same applicable financial reporting framework. However, where the opinion on the element is expressed in a separate auditor's report, the auditor may be able to express an unmodified opinion on it, provided that the matters to be reported on and the related scope of the audit were not intended to, and did not, encompass so many elements as to constitute a major portion of those financial statements.	A26	
Effective Date		
37. This ISA is effective for engagements for periods beginning on or after [date].	5	

Appendices 1 and 2 are not reproduced as part of this supplement.

Exhibit 3

Mapping Document

Paragraph of ISA 800 (Revised)	Paragraph of ISA 800 (Revised and Redrafted)	Proposed ISA 800 (Revised and Redrafted) – Showing Proposed Changes to Text of ISA 800 (Revised) in Mark-up
		Introduction
		Scope of this ISA
1, 2	1	[Proposed] International Standard on Auditing (ISA) 200 (Revised and Redrafted), "Overall Objective of the Independent Auditor, and Fundamental Concepts Relevant to an Audit of Financial Statements," explains that the ISAs are written in the context of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This ~~International Standard on Auditing (~~ISA~~) contains additional~~ deals with special considerations ~~in~~ relevant to an audit of special purpose financial statements. ~~See paragraphs 5-21.~~ ~~As explained in ISA 200, "Objective and General Principles Governing an Audit of Financial Statements," the ISAs are written in the context of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This ISA also contains additional~~ It also deals with special considerations, including the adaptation of ISAs, ~~in~~ relevant to an audit of a specific element, account or item of a financial statement. ~~See paragraphs 22-36.~~ Examples of specific elements, accounts or items of a financial statement are listed in ~~the~~ Appendix 1.
3	2	This ISA does not override ~~any~~ of the ~~standards~~ requirements of the other ISAs; nor does it purport to ~~contain~~ deal with all ~~the additional~~ special considerations that may be relevant in the circumstances of the engagement.
4	3	This ISA does not apply to the report of ~~another~~ component auditor, issued as a result of work performed on the financial information of a component at the request of a group auditor for purposes of the audit of the group financial statements (see [proposed] ISA 600 (Revised and Redrafted), "Special Considerations ~~—~~ ~~The~~ Audits of Group Financial Statements (Including the Work of Component Auditors)").
-	4	[Proposed] ISA 705 (Revised and Redrafted), "Modifications to the Opinion in the Independent Auditor's Report" deals with circumstances that may result in a modified opinion, the type of modification required, and how the form and content of the auditor's report is affected in such circumstances. [Proposed] ISA 706

Paragraph of ISA 800 (Revised)	Paragraph of ISA 800 (Revised and Redrafted)	Proposed ISA 800 (Revised and Redrafted) – Showing Proposed Changes to Text of ISA 800 (Revised) in Mark-up
		(Revised and Redrafted), "Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report" deals with circumstances when the auditor considers including an Emphasis of Matter paragraph or an Other Matter(s) paragraph in the auditor's report, and the form and placement of such paragraphs.
		Effective Date
37	5	This ISA is effective for engagements for periods beginning on or after [date].[4]
		Objective
-	6	The objective of the auditor is to apply the ISAs by addressing the special considerations that are relevant to the appropriate: (a) Acceptance of an engagement to audit special purpose financial statements or a specific element, account or item of a financial statement; and (b) Planning and performing of, and reporting on, that audit.
		Definitions
5	7	For purposes of the ISAs, the following terms have the meanings attributed below: (a) "Special purpose financial statements" – are fFinancial statements prepared in accordance with a financial reporting framework designed to meet the financial information needs of specific users ("special purpose framework"). (Ref: Para. A2) (b) Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. (Ref: Para. A1-A2)
5	8	Reference to The term "financial statements" in this ISA should be read as "special purpose financial statements," and can be refer to a complete set of financial statements or a single financial statement, including related explanatory notes.[5] References to The term "specific element(s), account(s) or item(s) of a financial statement" should be read as including any understood to include related explanatory notes.

[4] This date will not be earlier than December 15, 2008.

[5] The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.

Paragraph of ISA 800 (Revised)	Paragraph of ISA 800 (Revised and Redrafted)	Proposed ISA 800 (Revised and Redrafted) – Showing Proposed Changes to Text of ISA 800 (Revised) in Mark-up
		Requirements
		Audits of Special Purpose Financial Statements
		Considerations when Determining the Acceptability of the Applicable Financial Reporting Framework
6	9	~~An understanding of the following assists the auditor in determining~~To determine the acceptability of the financial reporting framework, the auditor shall obtain an understanding of the following circumstances of the engagement: (c) ~~t~~The purpose for which the financial statements are prepared~~,~~; (d) ~~t~~The intended users~~,~~; and (e) ~~t~~The steps taken by management to determine that the financial reporting framework is appropriate in the circumstances. (Ref: Para. A4-A6)
6	10	In the case of special purpose financial statements prepared in accordance with the provisions of a contract, ~~it is also important to have~~ the auditor also shall obtain an understanding of any significant interpretations of the contract that ~~have been made by~~ management made in preparing the financial information.[6]
		Considerations when Planning and Performing the Audit
13	11	The auditor shall apply ~~These~~ the requirements of [proposed] ISA 200 (Revised and Redrafted) ~~apply~~ to an audit of special purpose financial statements. ~~However, a~~Application of some of the requirements of the ISAs may require special consideration by the auditor. (Ref: Para. A9-A12)
		Forming an Opinion and Reporting Considerations
16	12	When forming an opinion ~~on~~ and reporting on special purpose financial statements, the auditor ~~should~~ shall apply the ~~standards and guidance~~ requirements in [proposed] ISA 700 (~~Revised~~Redrafted), "The Independent Auditor's Report on General Purpose Financial Statements." Additional elements of the auditor's report on special purpose financial statements are set out in paragraphs ~~17 21~~ 13-14 of this ISA. (Ref: Para. A13)

[6] An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the financial statements.

Paragraph of ISA 800 (Revised)	Paragraph of ISA 800 (Revised and Redrafted)	Proposed ISA 800 (Revised and Redrafted) – Showing Proposed Changes to Text of ISA 800 (Revised) in Mark-up
		Description of the Applicable Financial Reporting Framework
17	-	~~When management has a choice of financial reporting frameworks, the reference to the applicable financial reporting framework in the statement of management's responsibility for the financial statements should be expanded to include the responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances of the engagement.~~
17, 18	13	The reference to the applicable financial reporting framework in the statement of management's responsibility ~~for the financial statements~~ in the auditor's report on special purpose financial statements ~~should~~ shall: (a) ~~m~~Make clear the purpose for which the financial statements are prepared and, if necessary, the intended users, or refer to a note in the special purpose financial statements that contains that information; and (b) When management has a choice of financial reporting frameworks in preparing and presenting such financial statements, make reference to management's responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances of the engagement.
		Restriction on ~~Distribution or~~ Use
19	14	The auditor's report on the special purpose financial statements ~~should~~ shall include a statement that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements and related auditor's report may not be suitable for another purpose. The statement ~~is~~ shall be included in a separate paragraph following the auditor's opinion and under the heading Other Matter – Restriction on Use. (Ref: Para. A14-A15)
		Audits of Specific Elements, Accounts or Items of a Financial Statement
		Considerations when Accepting the Engagement
22	15	The auditor shall apply ~~These~~ the requirements of [proposed] ISA 200 (Revised and Redrafted) ~~also apply~~ to an audit of a specific element, account or item of a financial statement (referred to as "element" in paragraphs ~~23-36~~ 16-20), irrespective of whether the auditor also is ~~also~~ engaged to audit the entity's financial statements. (Ref: Para. A16-A17)
24	16	As the ISAs are written in the context of financial statements, all the ~~relevant~~ ISAs relevant to the audit of the element ~~are also to~~ shall be adapted as necessary in the

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		circumstances ~~when applied to audits of an element~~. (Ref: Para. A18, A20-A23)
25	17	When the auditor is not also engaged to audit the entity's financial statements, the auditor shall determine whether an audit of the element in accordance with ISAs is ~~not~~ practicable~~,~~. (Ref: Para. A19)
		Reporting Considerations (Ref: Para. A20)
32	18	When the auditor undertakes an engagement to report on an element in conjunction with an engagement to audit ~~of~~ the entity's financial statements, the auditor ~~should~~ shall express a separate opinion for each ~~of the~~ engagement~~s~~.
33	19	When the entity intends to publish an audited element together with its audited financial statements, the entity's presentation of the audited element should differentiate it sufficiently from the audited financial statements. The opinion on the element also should ~~also~~ be ~~sufficiently~~ differentiated sufficiently from the opinion on the financial statements. If the auditor concludes that the differentiation is insufficient, the auditor shall ask~~s~~ management to rectify the situation. The auditor ~~does~~ shall not issue the auditor's report on the element until satisfied with the differentiation.
34	20	When ~~a modified~~ the opinion in the auditor's report ~~has been issued~~ on an entity's financial statements is modified or that report includes an Emphasis of Matter paragraph or an Other Matter(s) paragraph, the auditor ~~should consider~~ shall determine the effect that this may have on the auditor's report on an element. When deemed appropriate, the auditor shall modify the opinion in the auditor's report on the element, or include an Emphasis of Matter paragraph or an Other Matter(s) paragraph in that report, accordingly. (Ref: Para. A25-A26)
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		Application and Other Explanatory Material
		Audits of Special Purpose Financial Statements
		Special Purpose Frameworks (Ref: Para. 7)
7	A1	Examples of special purpose frameworks are: • A tax basis of accounting for a set of financial statements that accompany an

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		entity's tax return; • The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors; • The financial reporting provisions established by a regulator to meet ~~the requirements of~~ that regulator's requirements; or • The financial reporting provisions of a contract, such as a bond indenture or a loan agreement.
8	A2	Financial statements prepared and presented in accordance with a special purpose framework may be the only financial statements ~~prepared by~~ an entity prepares ~~and,~~. ~~I~~In such circumstances, those financial statements are often used by users ~~in addition to~~ other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements in those circumstances, the financial statements ~~are~~ still are considered to be special purpose financial statements for purposes of the ISAs. The requirements in ~~P~~paragraphs ~~19 and 20~~ 13-14 ~~describe reporting considerations when these circumstances occur~~ are designed to avoid misunderstandings about the purpose for which the financial statements are prepared.
-	A3	The financial reporting provisions of a contract may provide for the financial statements to be prepared and presented in accordance with a general purpose framework. In this case, the financial reporting framework is the financial reporting provisions of the contract and therefore is a special purpose framework.
		Considerations when Determining the Acceptability of the Applicable Financial Reporting Framework (Ref: Para. 9)
6	A4	[Proposed] ISA 210, Agreeing the Terms of Audit Engagements" ~~Terms of Audit Engagements" contains standards and guidance for~~ requires the auditor to agree ~~ing,~~ on and ~~determining~~ determine the acceptability of ~~,~~ the applicable financial reporting framework. In the case of special purpose financial statements, the financial information needs of the intended users are a key factor in ~~determining the acceptability of the applicable financial reporting framework~~ obtaining an understanding of the circumstances listed in paragraph 9(a)-(c).
9	A5	~~Where t~~The applicable financial reporting framework may encompass ~~es~~ the financial reporting standards established by an organization ~~that is~~ authorized or recognized to promulgate standards for special purpose financial statements ~~,~~. In that case, those

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		standards will be presumed ~~to be~~ acceptable for that purpose~~, provided~~ if the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in preparing and presenting special purpose financial statements for a certain type~~s~~ of ~~entities~~ entity~~,~~. ~~f~~For example, ~~the~~ a regulator may establish financial reporting provisions ~~established by a regulator~~ to meet ~~the~~ its requirements ~~of that regulator~~. In the absence of indications to the contrary, such a financial reporting framework is presumed ~~to be~~ acceptable for special purpose financial statements prepared and presented by such ~~entities~~ entity.
10	A6	Where the financial reporting standards referred to in paragraph ~~9~~ A5 are supplemented by legislative or regulatory requirements, [proposed] ISA 210 (Redrafted) requires the auditor to determine~~s~~ whether any conflicts between the financial reporting standards and the additional requirements exist~~.~~ and prescribes actions to be taken by the auditor ~~I~~if such conflicts exist~~, the auditor follows the procedures in ISA 210~~.
11	A7	~~Where t~~The applicable financial reporting framework may encompass~~es~~ the financial reporting provisions of a contract, or sources other than those described in paragraphs ~~9 and 10~~ A5 and A6~~,~~. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether ~~it~~ the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks ~~(see~~ as described in Appendix 2 of [proposed] ISA 210 (Redrafted)~~, Appendix 2)~~. In the case of a special purpose framework, the relative importance to a particular engagement of each of the~~se~~ attributes normally exhibited by acceptable financial reporting frameworks ~~to a particular engagement~~ is a matter of professional judgment. For example, for purposes of a balance sheet prepared to establish the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed ~~that~~ to make very prudent estimates of allowances for uncollectible accounts receivable ~~are to be made~~. This may result in financial information that is not neutral, but it ~~may~~ nevertheless may be acceptable in the circumstances of the engagement.
12	A8	There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorized or recognized standards setting organization, but does not comply with all the requirements of ~~an established financial reporting~~ that framework~~;. for~~ An example~~,~~ is a contract that requires financial statements to be prepared in accordance with most, but not all, of the

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		Financial Reporting Standards of Country X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial statements to imply full compliance with the ~~established~~ financial reporting ~~standards~~ framework established by the authorized or recognized standards setting organization. In the above example of the contract ~~above~~, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract.
		Considerations when Planning and Performing the Audit (Ref: Para. 11)
11	A9	[Proposed] ISA 200 (Revised and Redrafted) requires the auditor to comply with (a) relevant ethical requirements relating to an audit engagement, and (b) all ISAs relevant to the audit. ~~In the case of those ISAs relevant to the audit,~~ It also requires the auditor ~~is required~~ to comply with the requirements of each of the relevant ISAs in all cases where the requirements are relevant ~~in the circumstances of~~ to the audit~~,~~ unless, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement by performing alternative audit procedures to achieve the aim of that requirement.
13	A10	~~However, a~~Application of some of the requirements of the ISAs may require special consideration by the auditor. For example, in [proposed] ISA 320 (Revised and Redrafted), "Materiality in Planning and Performing an Audit," judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. In the case of an audit of special purpose financial statements, however, those judgments are based on a consideration of the financial information needs of the specific users.
14	A11	In the case of special purpose financial statements prepared for a specific purpose, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. Although such a threshold may ~~represent~~ satisfy the financial information needs of the intended users for ~~the~~ purposes of any adjustments that may arise, it may ~~not reflect~~ differ from the amount ~~that~~ the auditor determines as a materiality level for ~~the~~ purposes of the engagement in accordance with [proposed] ISA 320 (Revised and Redrafted).
15	A12	Communication with those charged with governance in accordance with the ISAs is based on the relationship between those charged with governance and the financial

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		statements subject to audit, in particular whether those charged with governance ~~have a responsibility to oversee~~ are responsible for overseeing the preparation and presentation of those financial statements. In the case of special purpose financial statements prepared for a specific purpose, those charged with governance may not have such a responsibility; for example, when the special purpose financial statements are prepared solely for management's use, or when the party engaging the auditor is not the entity responsible for the special purpose financial statements. In these cases, the requirements of [proposed] ISA 260 (Revised and Redrafted), "Communication with Those Charged with Governance" may not be relevant to the audit of the special purpose financial statements prepared for a specific purpose, except when the auditor also is ~~also~~ responsible for the audit of the entity's general purpose financial statements or, for example, has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial statements prepared for a specific purpose.
		Forming an Opinion and Reporting Considerations (Ref: Para. 12)
16	A13	Appendix 2 of this ISA contains illustrations of auditors' reports on special purpose financial statements (see Illustrations 1-3).
		Restriction on ~~Distribution or~~ Use (Ref: Para. 14)
20	A14	The special purpose financial statements and related auditor's report may be ~~read~~ used for purposes other than those for which they were intended. For example, a regulator may require certain entities ~~may be required by a regulator~~ to place the special purpose financial statements and related auditor's report on public record. To avoid misunderstandings, the auditor alerts readers of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.
21	A15	The auditor also may ~~also~~ consider including a statement in the auditor's report that it is intended solely for the intended users and should not be distributed to or used by other parties ~~other than the intended users~~. Where this is the case, the heading referred to in paragraph 14 would read Other Matter – Restriction on Use and Distribution
		Audits of Specific Elements, Accounts or Items of a Financial Statement
		Considerations when Accepting the Engagement (Ref: Para. 15-17)

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22	A16	As explained in paragraph ~~13~~ A9 of this ISA, [proposed] ISA 200 (Revised and Redrafted) requires the auditor to comply with (a) relevant ethical requirements relating to an audit engagement, and (b) all ISAs relevant to the audit. ~~In the case of those ISAs relevant to the audit,~~ It also requires the auditor ~~is required~~ to comply with the requirements of each of the relevant ISAs in all cases where the requirements are relevant ~~in the circumstances of~~ to the audit~~,~~ unless, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement by performing alternative audit procedures to achieve the aim of that requirement.
23	A17	The relevance of each of the ISAs requires careful consideration. ~~Although~~ Even when only an element is the subject of the audit, ISAs such as ISA 240 (Redrafted), "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements," [proposed] ISA 550 (Revised and Redrafted), "Related Parties" and [proposed] ISA 570 (Redrafted), "Going Concern" are in principle ~~each~~ relevant~~,~~ ~~since~~. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern assumption under the applicable financial reporting framework.
24	A18	As the ISAs are written in the context of financial statements, all ~~the~~ relevant ISAs are ~~also~~ to be adapted as necessary in the circumstances when applied to the audit~~s~~ of ~~an~~ the element. For example, ~~in obtaining~~ written representations from management~~, representations~~ about the financial statements as a whole might be replaced by representations about the presentation of the element in accordance with the applicable financial reporting framework.
25, 26	A19	~~Furthermore, c~~Compliance with relevant requirements may not be practicable when the auditor also is not ~~also~~ engaged to audit the entity's financial statements. In such cases, the auditor ~~ordinarily~~ often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's financial statements. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In some cases, certain ISAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of [proposed] ISA 570 (Redrafted) ~~are~~ likely are to be relevant in the circumstances of an audit of a schedule of accounts receivable, ~~it may not be practicable to~~ complying with those requirements may not be practicable~~,~~ because of the audit effort required. If the auditor concludes that an audit of the element in

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		accordance with ISAs may not be practicable, the auditor may discuss~~es~~ with management whether another type of engagement ~~may~~ might be more practicable.
		Considerations when Planning and Performing the Audit (Ref: Para. 16)
27	A20	When ~~the~~ auditing ~~of~~ the element ~~is conducted~~ in conjunction with the audit of the entity's financial statements, the auditor may be able to use audit evidence obtained as part of the audit of the entity's financial statements in the audit of the element. ~~It is important~~ ISAs, however, ~~that~~ requires the auditor to plan~~s~~ and perform~~s~~ the audit of the element to obtain sufficient appropriate audit evidence ~~to reduce audit risk for that element to an acceptably low level~~ on which to base the opinion on the element.
28	A21	Many financial statement items are interrelated, and are presented with related explanatory notes. Accordingly, when auditing an element, the auditor may not be able to consider the element in isolation. Consequently, the auditor may need to perform ~~additional~~ procedures in relation to the interrelated items to meet the objective of an audit.
29	A22	Furthermore, the materiality level determined for the element may be lower than the materiality level or levels determined for the entity's financial statements; this will affect the nature, timing and extent of the audit procedures.
30	A23	In the case ~~of an audit~~ of an element~~, the auditor also considers whether, in view of the specific requirements of the applicable financial reporting framework~~, it is important that management's the presentation of the element, in view of the specific requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the element.
		Reporting Considerations (Ref: Para. 20)
31	A24	Unless otherwise required by law or regulation, in accordance with [proposed] ISA 200 (Revised and Redrafted) in conjunction with [proposed] ISA 700 (Redrafted), the opinion paragraph of the auditor's report on an element states that the element gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework when that framework is a fair presentation framework. In all other cases, the auditor's opinion states that the element is prepared, in all material respects, in accordance with the applicable financial reporting framework. Appendix 2 of this ISA contains an illustration of an

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		auditor's report on a specific account (see Illustration 4).
35	A25	When either a modified opinion on the entity's financial statements or an Emphasis of Matter paragraph relates to the audited element, the auditor ~~considers whether~~ may conclude that it is necessary to modify the auditor's report on the element in a similar manner. Even ~~W~~when a modified opinion on the entity's financial statements or an Emphasis of Matter paragraph does not relate to the audited element, the auditor ~~considers whether it~~ still may ~~be~~ conclude that it is necessary to refer to the modified opinion or Emphasis of Matter in an Other Matter(s) paragraph in the auditor's report on the element because it is important to the users' understanding of the financial statements (see [proposed] ISA 706 (Revised and Redrafted)~~, "Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report"~~).
36	A26	In accordance with [proposed] ISA 705 (Revised and Redrafted), ~~"Modifications to the Opinion in the Independent Auditor's Report,"~~ if the auditor has expressed an adverse opinion or disclaimed an opinion on the entity's financial statements as a whole, the auditor is not permitted to express an unmodified opinion on an element of those financial statements in the same auditor's report and with respect to the same applicable financial reporting framework (referred to in [proposed] ISA 705 (Revised and Redrafted) as a "piecemeal opinion"). However, the auditor may be able to express an unmodified opinion on the element where ~~the~~ that opinion ~~on the element~~ is expressed in a separate auditor's report~~,~~. ~~the auditor may be able to express an unmodified opinion on it, provided that the matters~~ This is only possible if the element to be reported on and the related scope of the audit, including the additional procedures referred to in paragraph A21, were not intended to, and did not, encompass so many elements as to constitute a major portion of those financial statements.

Appendices 1 and 2 are not reproduced as part of this supplement.

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