

## Proposed Disposition of the Present Tense and Other Statements in the Draft Redrafted ISA 520

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

Para.	Statements in extant ISA 520	New paragraph	Rationale and Comment (as necessary)
12	<p>When designing and performing analytical procedures as substantive procedures, the auditor will need to consider a number of factors such as the following:</p> <ul style="list-style-type: none"> <li>• The suitability of using substantive analytical procedures given the assertions (paragraphs 12a and 12b).</li> <li>• The reliability of the data, whether internal or external, from which the expectation of recorded amounts or ratios is developed (paragraphs 12c and 12d).</li> <li>• Whether the expectation is sufficiently precise to identify a material misstatement at the desired level of assurance (paragraph 12e).</li> <li>• The amount of any difference of recorded amounts from expected values that is acceptable (paragraph 12f).</li> </ul>	9	Although the paragraph is not a present tense statement, the words “will need to” create a requirement for the auditor to consider these factors during substantive procedures and forms the subheadings for the rest of the guidance under substantive procedures under the application material.

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

Para.	Statements in extant ISA 520	New paragraph	Rationale and Comment (as necessary)
11	The auditor will ordinarily inquire of management as to the availability and reliability of information needed to apply substantive analytical procedures and the results of any such procedures performed by the entity. It may be efficient to use analytical data prepared by the entity, provided the auditor is satisfied that such data is properly prepared.	A12	This sentence although containing present statements provides practical application of the requirement contained in the extant ISA
12b	<p>In determining the suitability of substantive analytical procedures given the assertions, the auditor considers the following:</p> <p><i>The assessment of the risk of material misstatement.</i> The auditor considers the understanding of the entity and its internal control, the materiality and likelihood of misstatement of the</p>	A15	This sentence although containing present statements provides practical application of the requirement contained in the extant ISA

Para.	Statements in extant ISA 520	New paragraph	Rationale and Comment (as necessary)
	items involved, and the nature of the assertion in determining whether substantive analytical procedures are suitable. <i>Any tests of details directed toward the same assertion</i>		
12c	The reliability of data is influenced by its source and by its nature and is dependent on the circumstances under which it is obtained. In determining whether data is reliable for purposes of designing substantive analytical procedures, the auditor considers the following: <i>Source of the information available..</i> <i>Comparability of the information available.</i> <i>Nature and relevance of the information available.</i> <i>Controls over the preparation of the information.</i>	A16	This sentence although containing present statements provides practical application of the requirement contained in the extant ISA.
12d	The auditor considers testing the controls, if any, over the entity's preparation of information used by the auditor in applying substantive analytical procedures. When such controls are effective, the auditor has greater confidence in the reliability of the information and, therefore, in the results of substantive analytical procedures.	A17	This sentence although containing present statements provides practical application of the requirement contained in the extant ISA
12d.7	In determining the audit procedures to apply to the information upon which the expectation for substantive analytical procedures is based, the auditor considers the guidance in paragraph 11 of ISA 500, "Audit Evidence."	A17	This sentence although containing present statements provides practical application of the requirement contained in the extant ISA
12e	In assessing whether the expectation can be developed sufficiently precise to identify a material misstatement at the desired level of assurance, the auditor considers factors such as the following:	A18	This sentence although containing present statements provides practical application of the requirement contained in the extant ISA
12e bullet 3	or example, the auditor considers whether financial information, such as budgets or forecasts, and non-financial information, such as the number of units produced or sold, is available to design substantive analytical procedures.	A18	This sentence although containing present statements provides practical application of the requirement contained in the extant ISA
12f	In designing and performing substantive analytical procedures, the auditor considers the amount of difference from expectation that can be accepted without further investigation. This consideration is influenced primarily by materiality and the consistency with the desired level of assurance.	A19	This sentence although containing present statements provides practical application of the requirement contained in the extant ISA
12f.3	The auditor increases the desired level of assurance as the risk of material misstatement increases by reducing the amount of difference from the expectation that can be accepted without further investigation.	A19	This sentence although containing present statements provides practical application of the requirement contained in the extant ISA
12g	When the auditor performs substantive procedures at an interim date and plans to perform substantive analytical procedures	A20	This sentence although containing present statements provides practical

Para.	Statements in extant ISA 520	New paragraph	Rationale and Comment (as necessary)
	with respect to the intervening period, the auditor considers how the matters discussed in paragraphs 12a-12f affect the ability to obtain sufficient appropriate audit evidence for the remaining period. This includes considering whether the period end balances of the particular classes of transactions or account balances are reasonably predictable with respect to amount, relative significance, and composition. See ISA 330, paragraphs 56-61, for additional guidance.		application of the requirement contained in the extant ISA

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