

<sup>1</sup> Note that the proposed ISA includes conforming amendments to extant ISA 710 approved as part of the revision of ISAs 705 and 706.

4.2(b)	b. For comparative financial statements, the auditor's report refers to each period for which financial statements are presented.
5	This ISA <del>provides guidance on</del> <u>addresses separately</u> the auditor's responsibilities <del>for comparatives and for reporting on them under the two frameworks in separate sections requirements for each circumstance.</del>
	<b><u>Effective Date</u></b>
32	3. This ISA is effective for audits of financial statements for periods beginning on or after <del>[1-December; 15, 2004]</del> <u>15, 2009</u> .
	<b><u>Objective</u></b>
2	4. The <u>objective of the</u> auditor <del>should determine whether is to obtain sufficient appropriate audit evidence about whether</del> the comparatives <u>information included in the financial statements complies</u> , in all material respects, with the <u>applicable</u> financial reporting framework <del>applicable to the financial statements being audited.</del>
	<b><u>Definitions</u></b>
New	5. <u>For the purposes of the ISAs, the following terms have the meanings attributed below:</u>
3.2	(a) Comparatives <del>information - in financial statements, for example, may present</del> <u>information - in financial statements, for example, may present</u> The amounts <del>(such as financial position, results of operations, cash flows) and appropriate disclosures included in the financial statements in respect of an entity for more than one or more previous periods, depending on the framework. There are two broad financial reporting frameworks for comparatives: the Comparative information may be</del> corresponding figures and comparative financial statements. <del>The framework and methods of presentation are referred to in this ISA as follows:</del>
Appendix 1 para3	
3.3(a).1	(b) Corresponding figures – <u>Comparative information</u> where amounts and other disclosures for the <del>prior</del> <u>preceding</u> period are included as part of the current period financial statements, and are intended to be read in relation to the amounts and other disclosures relating to the current period (referred to as “current period figures” <del>for the purpose of this ISA</del> ). These corresponding figures are not presented as <u>a complete set of</u> financial statements capable of standing alone, but are an integral part of the current period financial statements intended to be read only in relationship to the current period figures. The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.
3.3(a).2	
Appendix 1 Para 4.2	
3.3(b)	(c) Comparative financial statements – <u>Comparative information</u> where amounts and other disclosures for the preceding period are included for comparison with the financial statements of the current period, but <del>do not form part</del> <u>are considered separate financial statements on which an audit opinion is expressed. Accordingly</u> <del>the</del> <u>The level of information included in those comparative financial statements is</u>
Appendix 1 Para 5.2	

	comparable with that of the financial statements of the current period (including all statement amounts, disclosures, <del>footnotes</del> and other explanatory statements to the extent that they continue to be of significance) <del>approximates that of the financial statements of the current period.</del> (Refer to appendix 1 to this ISA for discussion of these different reporting frameworks)	
	<b>Requirements</b>	
	<b>Corresponding Figures</b>	
	<i>The Auditor's Responsibilities</i>	
6.2	6. The auditor <del>should obtain sufficient appropriate audit evidence that shall determine whether the financial statements correctly include</del> the corresponding figures <del>meet the requirements of by</del> the applicable financial reporting framework. <del>The extent of audit procedures performed on the corresponding figures is significantly less than for the audit of the current period figures and is ordinarily limited to ensuring that the corresponding figures have been correctly reported and whether such information are</del> <u>is</u> appropriately classified. <del>This involves</del> <u>For this purpose,</u> the auditor <u>shall</u> evaluate <del>ing</del> whether:	
6.3		
6.3 (b)	(a) <del>The</del> <u>C</u> corresponding figures agree with the amounts and other disclosures presented in the prior period or, <del>whether when</del> appropriate, <del>adjustments and/or disclosures have been made restated; and</del>	
6.3 (a)	(b) <del>The</del> <u>A</u> accounting policies <del>used for reflected in</del> the corresponding figures are consistent with those <del>of applied in</del> the current period or, <u>if there have been changes in accounting policies,</u> whether <del>appropriate, adjustments and/or disclosures those changes have been made properly accounted for and adequately presented and disclosed</del> (Ref: Para. A1)	
9	7. If the auditor becomes aware of a possible material misstatement in the corresponding figures <del>when while</del> performing the current period audit, the auditor <del>shall performs</del> such additional audit procedures as are appropriate in the circumstances <u>to obtain sufficient appropriate audit evidence regarding whether a material misstatement exists.</u>	
	<i>Reporting</i>	
10	8. When the comparatives <del>information are is</del> presented as corresponding figures, the <del>auditor should issue an</del> auditor's report <del>in which the comparatives are shall</del> not specifically identify <del>ied because the audit opinion is on the current period financial statements as a whole, including the corresponding figures. The auditor's report would make specific reference to the corresponding figures only the comparative information, except</del> in the circumstances described in paragraphs <del>12, 13, 159, 10</del> (b), <u>11 and 16-19 12.</u> (Ref: Para. A2)	
11		

12	<p>9. <del>If/When</del> the auditor's report on the prior period, as previously issued, included a qualified opinion, <del>a</del> disclaimer of opinion, or <del>an</del> adverse opinion and the matter which gave rise to the modification is:</p> <p>(a) Unresolved, and <del>the effects or possible effects of the matter on results in a modification of the</del> <u>the current period's figures are material and require a modification to the auditor's opinion</u> <del>auditor's report</del> regarding the current period figures, <del>the auditor's report should also be modified regarding is the corresponding figures modification</del> the auditor shall refer to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification in the <u>basis for modification paragraph</u>; or</p> <p>(b) Unresolved, but <del>does</del> <u>the effects or possible effects of the matter are either</u> not <del>result in a modification of the auditor's report regarding</del> <u>relevant or material to</u> the current period figures, the <u>auditor shall nevertheless modify the</u> opinion in the auditor's report <u>on the current period's financial statements</u> <del>should be modified regarding because of the effect or possible effects of the matter on the corresponding figures.</del> (Ref: Para. A3)</p>
14	<p>10. <del>If/In performing the audit of the current period financial statements</del> the auditor, <del>in certain unusual circumstances, may</del> becomes aware of a material misstatement that affects the prior period financial statements on which an unmodified report has been previously issued. <del>In such circumstances,</del> the auditor <del>should</del><u>shall</u> <del>consider the guidance in</del> <u>follow the relevant requirements of [proposed] ISA 560 (Redrafted)<sup>2</sup>, "Subsequent Events"</u> and:</p> <p>(a) If the prior period financial statements have been revised and reissued with a new auditor's report, the auditor <del>should</del><u>shall</u> obtain sufficient appropriate audit evidence that the corresponding figures agree with the revised financial statements; or</p> <p>(b) If the prior period financial statements have not been revised and reissued, and the corresponding figures have not been properly restated and/or appropriate disclosures have not been made, the auditor <del>should</del><u>shall</u> <del>issue a modified express a qualified opinion or an adverse opinion in the auditor's report on the current period financial statements, modified with respect to the corresponding figures included therein.</del> (Ref: Para. A4)</p>
15	
15(a)	
15(b)	
	<del>Incoming Auditor—Additional Requirements</del>
	Prior Period Financial Statements Audited by <del>Another</del> <u>Predecessor</u> Auditor
17.1	<p>11. <del>If/When</del> the <u>prior period's financial statements were audited by a predecessor</u> auditor <del>decides</del><u>and the auditor is permitted by law or regulation</u> to refer to <del>another auditor,</del> <u>the incoming</u> <del>the predecessor</del> auditor's report <del>should</del><u>on the corresponding figures</u> <del>and</del></p>
17.2	

<sup>2</sup> [Proposed] ISA 560 (Redrafted), "Subsequent Events."

17.2(a)	<u>decides to do so, the auditor shall</u> indicate <u>in the auditor's report</u> :	
17.2(b)	(a) That the financial statements of the prior period were audited by <del>another</del> <u>the predecessor</u> auditor;	
17.2(c)	(b) The type of <u>report opinion</u> issued by the predecessor auditor and, if the <del>report</del> <u>opinion</u> was modified, the reasons therefor <del>e</del> ; and	
	(c) The date of that report.	
	Prior Period Financial Statements Not Audited	
18.1	12. <del>If</del> <u>When</u> the prior period financial statements are not audited, the <del>incoming</del> <u>auditor should</u> <del>shall</del> state in the auditor's report that the corresponding figures are unaudited.	
18.2	Such a statement does not, however, relieve the auditor of the requirement to <del>perform appropriate audit procedures regarding opening balances of the current period</del> <u>obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statements</u> <sup>3</sup> .	
	<b>Comparative Financial Statements</b>	
	<i>The Auditor's Responsibilities</i>	
20.1	13. The auditor <del>should</del> <u>shall</u> obtain sufficient appropriate audit evidence <del>that about whether</del> the comparative financial statements <del>meet the requirements of</del> <u>have been prepared and presented in accordance with</u> the applicable financial reporting framework. <del>This involves t</del> <u>The auditor shall evaluate</u> <del>ing</del> whether:	
20.2		
20.2 (b)	(a) <del>Prior period figures presented</del> <u>The comparative financial statements</u> agree with the amounts and other disclosures presented in the prior period or <del>whether, when</del> appropriate <del>adjustments and disclosures</del> have been <del>made restated; and</del>	
20.2 (a)	(b) <del>The A</del> <u>ccounting policies of the prior period are</u> <u>reflected in the comparative financial statements are</u> consistent with those <del>of applied in</del> the current period or, <del>whether appropriate adjustments and/or disclosures if there have been changes in accounting policies, whether those changes</del> have been <del>made properly accounted for and adequately presented and disclosed.</del>	
23	14. If the auditor becomes aware of a possible material misstatement in the <del>prior year figures when comparative financial statements while</del> performing the current period audit, the auditor <u>shall</u> perform such additional audit procedures as are appropriate in the circumstances. <del>to obtain sufficient appropriate audit evidence regarding</del>	

<sup>3</sup> [Proposed] ISA 510 (Redrafted), "Initial Audit Engagements – Opening Balances," paragraph 5.

	<u>whether a material misstatement exists.</u>
	<i>Reporting</i>
24.1	15. When the comparatives <u>information is</u> <del>are</del> presented as comparative financial statements, the <del>auditor should issue a</del> auditor's report <del>in which the comparatives are</del> <u>shall</u> specifically identify <del>ed because the audit opinion is expressed individually on the each period for which</del> financial statements <del>of each period</del> are presented <u>and on which an audit opinion is expressed.</u> . (Ref: Para. A5)
25.1	16. When reporting on the prior period financial statements in connection with the current <del>year</del> <u>period</u> 's audit, if the opinion on such prior period financial statements is different from the opinion previously expressed, the auditor <del>should</del> <u>shall</u> disclose the substantive reasons for the different opinion in an <del>emphasis of matter</del> Other Matter(s) paragraph <u>in accordance with</u> <del>(see [proposed] ISA 706 (Revised and Redrafted))<sup>4</sup>.</del> (Ref: Para. A6)
	Prior Period Financial Statements Audited by a Predecessor Auditor
26.1 26 (a)	17. <del>If</del> <u>When</u> the financial statements of the prior period were audited by <u>a predecessor</u> <del>another</del> auditor; <u>and</u> <del>The predecessor may</del> auditor <del>reissue</del> <u>agrees to have</u> the predecessor auditor's report on the prior period <u>reissued with the financial statements,</u> <del>with the incoming auditor</del> <u>shall report on</u> only <del>reporting on</del> the current period; <del>or</del>
New  26 (b)	18. <u>If the financial statements of</u> <del>The incoming auditor's report should state that</del> the prior period <del>was</del> <u>were</u> audited by <del>another</del> <u>a predecessor</u> auditor and <u>the predecessor auditor does not agree to have the predecessor auditor's report on the prior period reissued, the auditor shall indicate in</u> the <del>incoming</del> auditor's report <del>should indicate</del> : <ul style="list-style-type: none"> <li>(i) That the financial statements of the prior period were audited by <del>another a</del> <u>predecessor</u> auditor;</li> <li>(ii) The type of <del>report opinion</del> issued by the predecessor auditor and if the <del>report opinion</del> was modified, the reasons therefore; and</li> <li>(iii) The date of that report.</li> </ul>
27	19. <del>In performing the audit of the current period financial statements,</del> If the <del>incoming auditor, in certain unusual circumstances, may become aware of a</del> <u>concludes that</u> <u>a material misstatement exists</u> that affects the prior period financial statements on which the predecessor auditor had previously reported without modification. <del>In</del>

<sup>4</sup> [Proposed] ISA 706 (Revised and Redrafted), "Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report," paragraph 9.

28.1	<del>these circumstances</del> , the <del>incoming</del> auditor <del>should</del> <u>shall</u> –, in addition to the communications required in accordance with [proposed] ISA 510 (Redrafted) <sup>5</sup> , <del>discuss the matter with management and after having obtained management’s authorization, contact the predecessor auditor and</del> propose that the prior period financial statements be <del>amended</del> <u>restated</u> . If the <u>prior period financial statements are amended</u> , and the predecessor auditor agrees to <del>reissue a new</del> <u>reissue</u> the auditor’s report on the <del>amended</del> <u>restated</u> financial statements of the prior period, the auditor <del>shall</del> <u>should</u> follow the <u>guidance requirements</u> in paragraphs 17 and 18 as appropriate <sup>26</sup> . (Ref: Para. A7)
28.2	
	<b>Prior Period Financial Statements Not Audited</b>
30.1	20. <del>If</del> <u>When</u> the prior period financial statements are not audited, the <del>incoming</del> auditor <del>should</del> <u>shall</u> state in the auditor’s report that the comparative financial statements are unaudited. Such a statement does not, however, relieve the auditor of the requirement to carry out appropriate audit procedures regarding opening balances of the current period <sup>6</sup> .
30.2	
	<b><u>Application and Other Explanatory Material</u></b>
	<b>Corresponding Figures</b>
	<i>The Auditor’s Responsibilities</i> (Ref: Para. 6)
6.2	A1. The extent of audit procedures performed on the corresponding figures is significantly less than for the audit of the current period figures and is <del>ordinarily</del> limited to <del>ensuring that the corresponding figures have been correctly reported and are appropriately classified</del> the procedures described in paragraph 6.
	<i>Reporting</i> (Ref: Para. 8 – 10)
6.2	A2. <u>The auditor’s report does not refer to the corresponding figures because the audit opinion is on the current period financial statements as a whole, including the corresponding figures.</u>
13	A3. When the auditor’s report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or <u>an</u> adverse opinion and the matter which gave rise to the <del>modification</del> <u>modified opinion</u> is resolved and properly dealt with in the financial statements <u>in accordance with the applicable financial reporting framework</u> , the current <u>auditor’s</u> report does not <del>ordinarily</del> refer to the previous modification. <del>However, if the matter is material to the current period, the auditor may include an emphasis of matter paragraph dealing with the situation.</del>
16	A4. <del>If, in the circumstances described in paragraph 14,</del> <u>When</u> the prior period financial statements <u>that are misstated</u> have not been revised and an auditor’s report has not been reissued, but the corresponding figures have been properly restated and/or appropriate

<sup>5</sup> [Proposed] ISA 510 (Redrafted), paragraph 6

<sup>6</sup> [Proposed] ISA 510 (Redrafted), paragraph 5



	disclosures have been made in the current period financial statements, the auditor's <u>report</u> may include an <u>Emphasis of Matter</u> paragraph describing the circumstances and referencing to the appropriate disclosures ( <u>see [proposed] ISA 706 (Revised and Redrafted)</u> ). <u>In this regard, the auditor also considers the guidance in ISA 560.</u>
	<b>Comparative Financial Statements</b>
	<i>Reporting (Ref: Para. 15 and 16)</i>
24.2	A5. <u>The auditor's report refers to the comparative financial statements because the audit opinion is expressed individually on the financial statements of each period presented.</u> Since the auditor's report on comparative financial statements applies to the individual financial statements presented, the auditor's <u>report</u> may express a qualified opinion or an adverse opinion, disclaim an opinion, or include an <u>Emphasis of Matter</u> paragraph <u>or other matters paragraph</u> with respect to one or more financial statements for one or more periods, while issuing a different <u>auditor's report</u> on the other financial statements.
25.2	A6. <u>This-When reporting on the prior period financial statements in connection with the current period's audit, the opinion expressed on the prior period financial statements may arise whenbe different from the opinion previously expressed if</u> the auditor becomes aware of circumstances or events that materially affect the financial statements of a prior period during the course of the audit of the current period.
	<b>Prior Period Financial Statements Audited by a Predecessor Auditor (Ref: Para. 19)</b>
29	A7. <u>If, in the circumstances discussed in paragraph 27, the</u> predecessor <u>does</u> auditor may not agree with <u>the a</u> proposed restatement or <u>may</u> refuses to reissue the auditor's report on the prior period financial statements, <u>the</u> . <u>An Other Matter(s) introductory</u> paragraph of the auditor's report may indicate that the predecessor auditor reported on the financial statements of the prior period before restatement. In addition, if the <u>incoming</u> -auditor <u>is engaged to audit and</u> -applies sufficient audit procedures to be satisfied as to the appropriateness of the restatement adjustment, the auditor's <u>report</u> may also include the following paragraph <u>in the report</u> :  "We also audited the adjustments described in Note X that were applied to restate the <u>19X+20X1</u> financial statements. In our opinion, such adjustments are appropriate and have been properly applied."
30.3 Acc guidance	<u>Clear disclosure in the financial statements that the comparative financial statements are unaudited is encouraged</u>
	<b>APPENDIX</b>
Appendix 2	<b>Example Auditors' Reports</b>  <b>Example A - Corresponding Figures:</b>  <u>Example r</u> Report <u>illustrative of for</u> the circumstances described in paragraph 9(a), <u>as follows:</u>



	<ul style="list-style-type: none"> <li>• <u>The auditor’s report on the prior period, as previously issued, included a qualified opinion.</u></li> <li>• <u>The matter giving rise to the modification is unresolved.</u></li> <li>• <u>The effects or possible effects of the matter on the current period’s figures are material and require a modification to the auditor’s opinion regarding the current period figures.</u></li> </ul>
	<p><u>INDEPENDENT AUDITOR’S REPORT</u></p> <p><i>{[Appropriate Addressee]}</i></p> <p><del>We have audited the accompanying balance sheet of the ABC Company as of December 31, 19X1, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.</del></p> <p><del>We conducted our audit in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.</del></p> <p><b><u>Report on the Financial Statements</u><sup>7</sup></b></p> <p><u>We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.</u></p> <p><b><u>Management’s Responsibility for the Financial Statements</u></b></p> <p><u>Management is responsible for the preparation and fair presentation<sup>8</sup> of these financial statements in accordance with International Financial Reporting</u></p>

<sup>7</sup> The subheading “Report on the Financial Statements” is unnecessary in circumstances when the second subheading “Report on Other Legal and Regulatory Requirements” is not applicable.

<sup>8</sup> Depending on the circumstances, this sentence may read: “Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards.”

	<p><u>Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.</u></p> <p><u><i>Auditor's Responsibility</i></u></p> <p><u>Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.</u></p> <p><u>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation<sup>9</sup> of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.<sup>10</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.</u></p> <p><u>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.</u></p> <p><u><i>Basis for Qualified Opinion</i></u></p>
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<sup>9</sup> Depending on the circumstances, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>10</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

	<p>As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements which practice, in our opinion, is not in accordance with <del>International Accounting Standards (or refer to applicable national standards)</del> <u>International Financial Reporting Standards</u>. This is the result of a decision taken by management at the start of the preceding financial year and caused us to qualify our audit opinion on the financial statements relating to that year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by xxx in <del>19X1-20X1</del> and xxx in <del>19X0-20X0</del>, the fixed assets should be reduced by accumulated depreciation of xxx in <del>19X1-20X1</del> and xxx in <del>19X0-20X0</del>, and the accumulated loss should be increased by xxx in <del>19X1-20X1</del> and xxx in <del>19X0-20X0</del>.</p> <p><u><i>Qualified Opinion</i></u></p> <p>In our opinion, except for the effects <del>on the financial statements</del> of the matter <del>referred to described</del> in the <del>preceding</del> <u>Basis for Qualified Opinion</u> paragraph, the financial statements <u>present fairly, in all material respects (or “give a true and fair view of”)</u> <del>(or “present fairly, in all material respects”)</del> the financial position of the Company as of December 31, <del>19X1-20X1</del>, and of its financial performance and its cash flows for the year then ended in accordance with <del>...</del> <u>(and comply with ...)</u> <u>International Financial Reporting Standards</u>.</p> <p><u><b>Report on Other Legal and Regulatory Requirements</b></u></p> <p><u>[Form and content of this section of the auditor’s report will vary depending on the nature of the auditor’s other reporting responsibilities.]</u></p> <p><del>...</del> <u>(and comply with ...)</u>.</p> <p><del>AUDITOR</del> <u>[Auditor’s signature]</u></p> <p><del>Date</del> <u>[Date of the auditor’s report]</u></p> <p><u>[Auditor’s address]</u></p>
Appendix 2	<p><b>Example B - Corresponding Figures:</b></p> <p><del>Example</del> <u>Report illustrative of</u> <del>for</del> the circumstances described in paragraph 9(b), <u>as follows:</u></p> <ul style="list-style-type: none"> <li><u>The auditor’s report on the prior period, as previously issued, included a qualified opinion.</u></li> <li><u>The matter giving rise to the modification is unresolved.</u></li> <li><u>The effects or possible effects of the matter are not relevant to the current period figures.</u></li> </ul>

**INDEPENDENT AUDITOR’S REPORT**

~~{[Appropriate Addressee]} We have audited the accompanying balance sheet of the ABC Company as of December 31, 19X1, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.~~

~~We conducted our audit in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.~~

**Report on the Financial Statements**<sup>11</sup>

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation<sup>12</sup> of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards

<sup>11</sup> The subheading “Report on the Financial Statements” is unnecessary in circumstances when the second subheading “Report on Other Legal and Regulatory Requirements” is not applicable.

<sup>12</sup> Depending on the circumstances, this sentence may read: “Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards.”

	<p><u>on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.</u></p> <p><u>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation<sup>13</sup> of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.<sup>14</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.</u></p> <p><u>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.</u></p> <p><u><i>Basis for Qualified Opinion</i></u></p> <p>Because we were appointed auditors of the Company during <del>19X0</del>20X0, we were not able to observe the counting of the physical inventories at the beginning of that (period) or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for <del>19X0</del>20X0. Our auditor's report on the financial statements for the (period) ended (balance sheet date) <del>19X0-20X0</del> was modified accordingly.</p> <p><u><i>Qualified Opinion</i></u></p> <p>In our opinion, except for the <u>possible</u> effects on the corresponding figures<del>for</del></p>	
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<sup>13</sup> Depending on the circumstances, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>14</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 8, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

	<p><del>19X0 of the adjustments, if any, to the results of operations for the (period) ended 19X0, which we might have determined to be necessary had we been able to observe beginning inventory quantities as at ... of the matter described in the Basis for Qualified Opinion paragraph, the financial statements <u>present fairly, in all material respects (or “give a true and fair view of”)</u> <del>(or “present fairly, in all material respects”)</del> the financial position of the Company as of December 31, 19X1<del>20X1</del>, and <del>of</del> its financial performance and its cash flows for the year then ended in accordance with... <del>(and comply with ....)</del> <u>International Financial Reporting Standards.</u></del></p> <p><b><u>Report on Other Legal and Regulatory Requirements</u></b></p> <p><i>[Form and content of this section of the auditor’s report will vary depending on the nature of the auditor’s other reporting responsibilities.]</i></p> <p><i>AUDITOR</i><i>[Auditor’s signature]</i></p> <p><i>Date</i><i>[Date of the auditor’s report]</i></p> <p><i>Address</i><i>[Auditor’s address]</i></p>
Appendix 2	<p><b>Example <u>CD</u> - Corresponding Figures:</b></p> <p><b><u>Example <del>+</del> Report illustrative of <del>for</del> the circumstances described in paragraph 11, as follows:</u></b></p> <ul style="list-style-type: none"> <li><b><u>• The prior period’s financial statements were audited by a predecessor auditor.</u></b></li> <li><b><u>• The auditor is permitted by law or regulation to refer to the predecessor auditor’s report on the corresponding figures and decides to do so.</u></b></li> </ul> <p><b><u>INDEPENDENT AUDITOR’S REPORT</u></b></p> <p><del>([Appropriate Addressee]) We have audited the accompanying balance sheet of the ABC Company as of December 31, 19X1, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 19X0, were audited by another auditor whose report dated March 31, 19X1, expressed an unqualified opinion on those statements.</del></p> <p><del>We conducted our audit in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are</del></p>

	<p><del>free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.</del></p> <p><b><u>Report on the Financial Statements</u></b><sup>15</sup></p> <p><u>We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.</u></p> <p><i><u>Management’s Responsibility for the Financial Statements</u></i></p> <p><u>Management is responsible for the preparation and fair presentation<sup>16</sup> of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.</u></p> <p><i><u>Auditor’s Responsibility</u></i></p> <p><u>Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.</u></p> <p><u>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation<sup>17</sup> of the financial statements in</u></p>
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<sup>15</sup> The subheading “Report on the Financial Statements” is unnecessary in circumstances when the second subheading “Report on Other Legal and Regulatory Requirements” is not applicable.

<sup>16</sup> Depending on the circumstances, this sentence may read: “Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards.”

<sup>17</sup> Depending on the circumstances, this sentence may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of financial statements that give a true and fair



	<p><u>order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.</u><sup>18</sup> <u>An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.</u></p> <p><u>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.</u></p> <p><u>Opinion</u></p> <p>In our opinion, the financial statements <u>presents fairly, in all material respects</u> <del>(or "give a true and fair view of")</del> <del>(or "present fairly, in all material respects")</del> the financial position of the Company as of December 31, <del>19X1</del><u>20X1</u>, and <del>of</del> its financial performance and its cash flows for the year then ended in accordance with... <del>(and comply with ...)</del> <u>International Financial Reporting Standards.</u></p> <p><u>Other Matters</u></p> <p><u>The financial statements of the Company for the year ended December 31, 20X0, were audited by another auditor whose report dated March 31, 20X1, expressed an unqualified opinion on those statements.</u></p> <p><b><u>Report on Other Legal and Regulatory Requirements</u></b></p> <p><u>[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]</u></p> <p><u>AUDITOR</u><u>[Auditor's signature]</u></p> <p><u>Date</u><u>[Date of the auditor's report]</u></p> <p><u>Address</u><u>[Auditor's address]</u></p>
Appendix 2	<b>Example <u>DE</u> - Comparative Financial Statements:</b>

view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>18</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 16, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

	<p><b><u>Example rReport illustrative of for the circumstances described in paragraph 15, as follows:</u></b></p> <ul style="list-style-type: none"> <li><b><u>Auditor is required to report on both the current period financial statements and the prior period financial statements in connection with the current year’s audit.</u></b></li> <li><b><u>The auditor’s report on the prior period, as previously issued, included a qualified opinion.</u></b></li> <li><b><u>The matter giving rise to the modification is unresolved.</u></b></li> <li><b><u>The effects or possible effects of the matter on the current period’s figures are material to both the current period financial statements and prior period financial statements and require a modification to the auditor’s opinion.</u></b></li> </ul> <p><b><u>INDEPENDENT AUDITOR’S REPORT</u></b></p> <p><i>{[Appropriate Addressee]}</i></p> <p><del>We have audited the accompanying balance sheets of the ABC Company as of December 31, 19X1 and 19X0, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.</del></p> <p><del>We conducted our audits in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.</del></p> <p><b><u>Report on the Financial Statements</u></b><sup>19</sup></p> <p><del>We have audited the accompanying financial statements of ABC Company, which comprise the balance sheets as at December 31, 20X1 and 20X0, and the income statements, statements of changes in equity and cash flow statements for the years then ended, and a summary of significant accounting policies and other explanatory notes.</del></p>
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<sup>19</sup> The subheading “Report on the Financial Statements” is unnecessary in circumstances when the second subheading “Report on Other Legal and Regulatory Requirements” is not applicable.

	<p><u><i>Management’s Responsibility for the Financial Statements</i></u></p> <p><u>Management is responsible for the preparation and fair presentation<sup>20</sup> of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.</u></p> <p><u><i>Auditor’s Responsibility</i></u></p> <p><u>Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.</u></p> <p><u>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation<sup>21</sup> of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.<sup>22</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.</u></p>
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<sup>20</sup> Depending on the circumstances, this sentence may read: “Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards.”

<sup>21</sup> Depending on the circumstances, this sentence may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.”

<sup>22</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.” In the case of footnote 12, this sentence may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.”

	<p><u>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.</u></p> <p><u><i>Basis for Qualified Opinion</i></u></p> <p>As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements which practice, in our opinion, is not in accordance with <del>International Accounting Standards (or refer to applicable national standards)</del><u>International Financial Reporting Standards</u>. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by xxx in <del>19X1</del><u>20X1</u> and xxx in <del>19X0</del><u>20X0</u>, the fixed assets should be reduced by accumulated depreciation of xxx in <del>19X1</del><u>20X1</u> and xxx in <del>19X0</del><u>20X0</u>, and the accumulated loss should be increased by xxx in <del>19X1</del><u>20X1</u> and xxx in <del>19X0</del><u>20X0</u>.</p> <p><u><i>Qualified Opinion</i></u></p> <p>In our opinion, except for the effects <del>on the financial statements</del> of the matter <del>referred to described</del> in the <del>preceding</del><u>Basis for Qualified Opinion</u> paragraph, the financial statements <u>present fairly, in all material respects (or “give a true and fair view of”)</u> <del>(or “present fairly, in all material respects”)</del> the financial position of the Company as of December 31, <del>19X1</del><u>20X1</u> and <del>19X0</del><u>20X0</u>, and <del>of</del> its financial performance and its cash flows for the year then ended in accordance with... <del>(and comply with ....)</del> <u>International Financial Reporting Standards</u>.</p> <p><u><b>Report on Other Legal and Regulatory Requirements</b></u></p> <p><u>[Form and content of this section of the auditor’s report will vary depending on the nature of the auditor’s other reporting responsibilities.]</u></p> <p><u>[Auditor’s signature]</u><u>AUDITOR</u></p> <p><u>[Date of the auditor’s report]</u><u>Date</u></p> <p><u>[Auditor’s address]</u><u>Address</u></p>	
	<p><b><u>Example E – Comparative Financial Statements</u></b></p> <p><b><u>Report illustrative of the circumstances described in paragraph 17, as follows:</u></b></p> <ul style="list-style-type: none"> <li><b><u>• The financial statements of the prior period were audited by a predecessor auditor.</u></b></li> <li><b><u>• The predecessor auditor agrees to have the predecessor auditor’s report on the prior period reissued with the financial statements.</u></b></li> </ul> <p><b><u>INDEPENDENT AUDITOR’S REPORT</u></b></p>	

~~([Appropriate Addressee])~~

~~We have audited the accompanying balance sheet of the ABC Company as of December 31, 19X1, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 19X0, were audited by another auditor whose report dated March 31, 19X1, expressed a qualified opinion due to a disagreement as to the adequacy of the provision for doubtful receivables.~~

~~We conducted our audit in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.~~

### **Report on the Financial Statements**<sup>23</sup>

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation<sup>24</sup> of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based

<sup>23</sup> The subheading "Report on the Financial Statements" is unnecessary in circumstances when the second subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

<sup>24</sup> Depending on the circumstances, this sentence may read: "Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards."

	<p><u>on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.</u></p> <p><u>An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation<sup>25</sup> of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.<sup>26</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.</u></p> <p><u>We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.</u></p> <p><u><i>Basis for Qualified Opinion</i></u></p> <p><u>The financial statements of the Company for the year ended December 31, 20X0, were audited by another auditor whose report dated March 31, 20X1, expressed a qualified opinion due to a disagreement as to the adequacy of the provision for doubtful receivables. The <u>relevant</u> receivables <del>referred to above</del> are still outstanding at December 31, <del>19X1-20X1</del> and no provision for potential loss has been made <u>by management</u> in the financial statements. Accordingly, the provision for doubtful receivables at December 31, <del>19X1-20X1</del> and <del>19X0-20X0</del> should be increased by xxx, the net profit for <del>19X0-20X0</del> decreased by xxx and the retained earnings at December 31, <del>19X1-20X1</del> and <del>19X0-20X0</del> reduced by xxx.</u></p>	
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<sup>25</sup> Depending on the circumstances, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>26</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 20, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

*Qualified Opinion*

In our opinion, except for the effects ~~on the financial statements~~ of the matter ~~referred to~~ described in the ~~preceding~~ Basis for Qualified Opinion paragraph, the ~~19X1~~ financial statements ~~referred to above~~ present fairly, in all material respects (or “give a true and fair view of”) (or “present fairly, in all material respects”) the financial position of the Company as of December 31, ~~19X1~~ 20X1, and ~~of~~ its financial performance and its cash flows for the year then ended in accordance with... ~~(and comply with ...)~~ International Financial Reporting Standards.

*Other Matters*

The financial statements of the Company for the year ended December 31, 20X0, were audited by another auditor whose report dated March 31, 20X1, expressed a qualified opinion due to a disagreement as to the adequacy of the provision for doubtful accounts.

**Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the auditor’s report will vary depending on the nature of the auditor’s other reporting responsibilities.]

AUDITOR [Auditor’s signature]

Date [Date of the auditor’s report]

Address [Auditor’s address]