

I. Those That Have Been Elevated to a Requirement (except as noted)

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§ Extant ISA	Statements	New § Agenda Item (12-A)	Comment
	performance of appropriate audit procedures, changes in inventory between the count date and period end are correctly recorded.		and the appropriate audit treatment in the circumstances. The procedure would be applicable in virtually all cases in such circumstances. Conditional nature reflected in proposed redrafting.
16	When the entity operates a perpetual inventory system which is used to determine the period end balance, the auditor would evaluate whether, through the performance of additional procedures, the reasons for any significant differences between the physical count and the perpetual inventory records are understood and the records are properly adjusted.	5(b)	Essential to the objective and the appropriate audit treatment in the circumstances. The procedure would be applicable in virtually all cases in such circumstances. Conditional nature reflected in proposed redrafting.
17	The auditor performs audit procedures over the final inventory listing to determine whether it accurately reflects actual inventory counts.	4(d)	Essential to the objective and the consistent application of the related extant requirement. Applicable in all cases.
18	<p>When inventory is under the custody and control of a third party, the auditor would ordinarily obtain direct confirmation from the third party as to the quantities and condition of inventory held on behalf of the entity.</p> <p>Depending on materiality of this inventory the auditor would also consider the following:</p> <ul style="list-style-type: none"> • The integrity and independence of the third party. • Observing, or arranging for another auditor to observe, the physical inventory count. • Obtaining another auditor's report on the adequacy of the third party's internal control for ensuring that inventory is correctly counted and adequately safeguarded. • Inspecting documentation regarding inventory held by third parties, for example, warehouse receipts, or obtaining confirmation from other parties when such 	<p>8(a)</p> <p>8(b)</p> <p>A13</p>	<p>See item C.3 in the appendix of Agenda Item 12.</p> <p>See item C.3 in the appendix of Agenda Item 12.</p> <p>Performance of the listed procedures would depend on the circumstances and none are not individually applicable in virtually all cases; they are guidance to the application of the proposed requirement. Accordingly, the procedures</p>

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	inventory has been pledged as collateral.		have not been elevated.
Litigation and Claims			
32.2	<p>...Such procedures would include the following:</p> <ul style="list-style-type: none"> • Make appropriate inquiries of management including obtaining representations. • Review minutes of those charged with governance and correspondence with the entity's legal counsel. • Examine legal expense accounts. • Use any information obtained regarding the entity's business including information obtained during discussion with any in-house legal department. 	<p>9(a) and 14</p> <p>9(b)</p> <p>A15</p> <p>A15</p>	<p>Bullets 1 and 2 are procedures that would be application in virtually all cases, and it is considered appropriate to specify procedures that would at a minimum be expected in order for the auditor to become aware of litigations and claims.</p> <p>Bullet 3 has not been elevated. It may not be a practicable procedure or effective procedure in audits of larger entities or in fact generate information sufficient to assist the auditing in identifying a material litigation or claim.</p> <p>Bullet 4 is in effect covered by ISA 315 (Redrafted). Accordingly, it is inappropriate to elevate a requirement that is already addressed by another ISA.</p>
34.2	<p>...When it is considered unlikely that the entity's legal counsel will respond to a general inquiry, the letter would ordinarily specify the following:</p> <ul style="list-style-type: none"> • A list of litigation and claims. • Management's assessment of the outcome of the litigation or claim and its estimate of the financial implications, including costs involved. • A request that the entity's legal counsel confirm the reasonableness of management's assessments and provide the auditor with further information if the list is considered by the entity's legal counsel to be 	11	<p>Essential to the consistent application of the related extant requirement. The procedure would be applicable in virtually all cases in such circumstances. Conditional nature reflected in proposed redrafting.</p>

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	incomplete or incorrect.		
35.1	The auditor considers the status of legal matters up to the date of the audit report...	13	Essential to the objective and the consistent application of the related extant requirement, as well as of the general requirements in proposed ISA 560 (Redrafted). Applicable in all cases.
36.1	In certain circumstances, for example..., it may be necessary for the auditor to meet with the entity's legal counsel to discuss the likely outcome of litigation and claims.	10(b)	Essential to the consistent application of the related extant requirement. Applicable in all cases.
37.2	...Where the entity's legal counsel refuses to respond in an appropriate manner and the auditor is unable to obtain sufficient appropriate audit evidence by applying alternative audit procedures, the auditor would consider whether there is a scope limitation which may lead to a qualified opinion or a disclaimer of opinion.	12(b)	Elevated on the basis that there is no conceivable situation where the combined situation, as described in the extant ISA, would not result in a scope limitation requiring consideration of the effect on the auditor's opinion in accordance with proposed ISA 705 (Revised and Redrafted). Accordingly, applicable in all cases.
Long-term Investments			
39	Audit procedures regarding long-term investments ordinarily include obtaining audit evidence as to whether the entity has the ability to continue to hold the investments on a long term basis and discussing with management whether the entity will continue to hold the investments as long-term investments and obtaining written representations to that effect.	14(a)	Essential to the objective and the consistent application of the related extant requirement. Applicable in all cases.

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Segment Information			
45.1	<p>The auditor would discuss with management the methods used in determining segment information, and consider whether such methods are likely to result in disclosure in accordance with the applicable financial reporting framework and perform audit procedures over the application of such methods...</p>	<p>15(a)</p> <p>15(b)</p>	<p>Essential to the objective and the consistent application of the related extant requirement. Applicable in all cases.</p>

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

§ Extant ISA	Statements	New § Agenda Item (12-A)	Comment
Inventory			
8	<p>In planning attendance at the physical inventory count or the alternative procedures, the auditor considers the following:</p> <ul style="list-style-type: none"> • The risks of material misstatement related to inventory. • The nature of the internal control related to inventory. • Whether adequate procedures are expected to be established and proper instructions issued for physical inventory counting. • The timing of the count. • The locations at which inventory is held. • Whether an expert's assistance is needed. 	A3	Application guidance in nature, and relates to actions arising from consideration in other ISAs (for example, action in bullets 1-3 derive from auditor considerations in ISAs 315 (Redrafted) and 330 (Redrafted); bullets 4-5 come from obtaining an understanding of an entity and factor into planning considerations addressed by ISA 300 (Redrafted); bullet 5 is addressed by proposed ISA 620 (Revised and Redrafted)).
11	When inventory is situated in several locations, the auditor would consider at which locations attendance is appropriate, taking into account the materiality of the inventory and the risk of material misstatement at different locations.	A3.b5	Application guidance in nature, and addressed in principle by considerations under ISAs 315 (Redrafted), 330 (Redrafted) and [proposed] 320 (Revised and Redrafted).
13.2-.3	<p>... When performing test counts, the auditor performs procedures over both the completeness and the accuracy of the count records by tracing items selected from those records to the physical inventory and items selected from the physical inventory to the count records. The auditor considers the extent to which copies of such count records need to be retained for subsequent audit procedures and comparison</p>	<p>A8</p> <p>A9</p>	Application guidance in nature.
14	The auditor also considers cutoff procedures including details of the movement of inventory just prior to, during and after the count so that the accounting for such movements can be checked at a later date.	A9	Application guidance in nature.
15.1-.2	For practical reasons, the physical inventory count may be conducted at a date other than period end. This will ordinarily be adequate for audit purposes only when the entity has designed and implemented controls over changes in inventory...	A10	Application guidance in nature. Further, the principal consideration of this, as for any similar interim type work, is addressed in ISA 330

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			(Redrafted).
Litigation and Claims			
33.3When the auditor determines that the risk of material misstatement is a significant risk, the auditor evaluates the design of the entity's related controls and determines whether they have been implemented.	A17	Addressed by ISA 315 (Redrafted).
Long-term Investments			
40	Other audit procedures would ordinarily include considering related financial statements and other information, such as market quotations, which provide an indication of value and comparing such values to the carrying amount of the investments up to the date of the auditor's report.	A23	Application guidance in nature.
41	If such values do not exceed the carrying amounts, the auditor would consider whether a write-down is required. If there is an uncertainty as to whether the carrying amount will be recovered, the auditor would consider whether appropriate adjustments and/or disclosures have been made.	A23	Application guidance in nature. See also comment X in the appendix of Agenda Item N.
Segment Information			
43	The auditor considers segment information in relation to the financial statements taken as a whole, and is not ordinarily required to apply audit procedures that would be necessary to express an opinion on the segment information standing alone. However, the concept of materiality encompasses both quantitative and qualitative factors and the auditor's procedures recognize this.	A24 -	Explanation of responsibility, as generally understood and not in the nature of a performance requirement. Deleted; covered by [proposed] ISA 320 (Revised and Redrafted)
44	Audit procedures regarding segment information ordinarily consist of analytical procedures and other audit procedures as appropriate in the circumstances.	A26	Application guidance in nature.

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45.2	...The auditor would consider sales, transfers and charges between segments, elimination of inter-segment amounts, comparisons with budgets and other expected results, for example, operating profits as a percentage of sales, and the allocation of assets and costs among segments including consistency with prior periods and the adequacy of the disclosures with respect to inconsistencies.	A25	Application guidance in nature.