

**Post-Implementation Review of ISA 540 (Revised)¹ – Proposed Public
Consultation Survey – Updated**

[Marked from Agenda Item 4-A]

This agenda item includes an updated version of the proposed public consultation survey following Board feedback in plenary discussion on December 8, 2025.

Programming instructions explaining when paragraphs and questions will appear in the online survey tool are shown in **red** and within square brackets ([]).

¹ International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

Public Consultation Survey—Request to Stakeholders **About this Survey** [Moved from paragraphs 11 to 15]

This public consultation survey includes a series of questions to gather input on the impact of ISA 540 (Revised). The survey was developed with a broad range of stakeholders in mind, including auditors and audit firms, jurisdictional standard setters, professional accountancy or professional organizations, regulators or audit and assurance oversight bodies, preparers or issuers, those charged with governance, investors and other users of financial statements, and academics. The survey questions have been tailored to reflect the perspectives and experiences of different stakeholder groups, ensuring that each respondent is asked questions relevant to their role and interaction with ISA 540 (Revised) or its outputs.

Request and Related Information

Respondents are asked to complete the online public consultation survey for the PIR of ISA 540 (Revised) by following the link provided on the IAASB website. Access the ISA 540 Post-Implementation Review Survey webpage here [Link]. **Responses to the public consultation survey are requested by [April/May XX, 2026].**

We encourage stakeholders to further distribute the link to the online survey to their members or constituents, as applicable, within their jurisdictions or organizations, and as part of raising awareness or undertaking further outreach activities with all stakeholders.

You may respond to all questions or only selected questions or matters. All responses to this survey, whether complete or partial, once submitted will be accepted and considered as input for the work of the IAASB project team in relation to the PIR of ISA 540 (Revised). The responses received will be summarized (in various ways, including, for example by stakeholder group) for purposes of progressing the PIR project, including providing feedback to the IAASB and in developing recommendations for possible further actions.

All responses will be considered a matter of public record and submissions will ultimately be posted on the IAASB website.

Structure of the Survey

The questions for respondents are organized in the following sections.

- **Section I — Background and Purpose**
- **Section II — About the Respondent**
- **Section III — Overall Questions** ~~(For all stakeholder groups)~~
- **Section IV — Perceived Benefits from ISA 540 (Revised)** ~~(For all stakeholder groups, with some matters only for certain groups)~~
- **Section V-A — Potential Issues or Challenges Related to ISA 540 (Revised)** ~~(For certain stakeholder groups)~~ *For the following groups: Accounting Firms, Jurisdictional Standard Setter (JSS) or Other Standard Setters, Professional Accountancy or Professional Organization (PAOs), Regulators or Audit and Assurance Oversight Bodies, Academia, and Others)*

- **Section V-B** — Impacts of ISA 540 (Revised) (For ~~*certain stakeholder groups*~~ *Preparers or Issuers of Financial Statements (Including Public Sector Organizations), or Those Charged with Governance*)
- **Section V-C** — Impacts of ISA 540 (Revised) (For Users of Financial Statements)

Section I: Background and, Purpose ~~and Request to Stakeholders~~

ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

1. In June 2018, the IAASB approved ISA 540 (Revised) as a [final standard](#).² ISA 540 (Revised) established more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. The standard was effective for audits of financial statements for periods beginning on or after December 15, 2019.
2. ISA 540 (Revised) addressed the following public interest issues:
 - (a) Audit risks were evolving due to a more complex business environment;
 - (b) Fostering improved exercise of professional skepticism; and
 - (c) Realizing public interest benefits through improved communication and transparency.
3. The IAASB made many enhancements to ISA 540 (Revised) to keep pace with the increasingly complex business environment and changes in financial reporting standards. In addition, recurring audit inspection findings criticized the quality of audit work relating to accounting estimates. Therefore, among other enhancements, ISA 540 (Revised) (paragraphs in the standard are indicated in parentheses):
 - (a) Introduced the concept of inherent risk factors, including not only estimation uncertainty but also complexity, subjectivity and others (paragraphs 2, 4, 16).
 - (b) Enhanced risk assessment procedures relating to obtaining an understanding of the entity and its environment, including the entity's system of internal control (paragraph 13).
 - (c) Emphasized the importance of the auditor's decisions about controls relating to accounting estimates by highlighting relevant requirements in ISA 315 (Revised 2019)³ and ISA 330⁴ (paragraphs 19 and 20).⁵
 - (d) Introduced objectives-based work effort requirements directed to methods (including specifically when complex modelling is involved), data and assumptions, to design and perform further audit procedures to respond to assessed risks of material misstatement (paragraphs 7, 19, 22-25).
 - (e) Enhanced the "stand-back" requirements, by adding an evaluation of the audit evidence obtained regarding the accounting estimates, including both corroborative and contradictory audit evidence (paragraphs 33-35).
 - (f) Enhanced the requirements to obtain audit evidence about the disclosures related to accounting estimates and to determine whether the accounting estimates and related disclosures are

² Note that all references to paragraphs and other content of ISA 540 (Revised) is to the latest version of the standard in the [2025 IAASB Handbook](#).

³ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

⁴ ISA 330, *The Auditor's Responses to Assessed Risks*

⁵ [The ISA 315 \(Revised 2019\) and ISA 540 \(Revised\) Task Forces coordinated closely to minimize the extent of conforming changes to ISA 540 \(Revised\) as a result of ISA 315 \(Revised 2019\). The conforming changes to ISA 540 \(Revised\) were generally limited to aligning concepts and terminology and did not change the performance requirements in ISA 540 \(Revised\).](#)

reasonable in the context of the applicable financial reporting framework, or are misstated (paragraphs 26(b), 29(b), 31 and 35).

- (g) Included a new requirement to consider matters regarding accounting estimates when communicating with those charged with governance (paragraph 38).

4. The IAASB also issued non-authoritative materials to support the adoption and effective implementation of ISA 540 (Revised), including presentations, flowcharts and diagrams, and illustrative examples.⁶

4. —

Post-Implementation Review

5. ~~As highlighted in the Strategy and Work Plan for 2024-2027, post implementation reviews (PIRs) are considered after a significant period of global adoption and implementation of a standard (i.e., 3-5 years)⁷ and balancing with other work plan priorities and capacity considerations. The IAASB is commencing work for its PIR on ISA 540 (Revised) in 2025.~~

~~Approach and Objectives~~ Objectives and Approach

5. ~~In September 2025, the IAASB agreed a plan to perform a post-implementation review (PIR) of ISA 540 (Revised). As indicated in the PIR for ISA 540 (Revised) Plan, the IAASB aims to achieve the following:~~

~~(a) Determine whether ISA 540 (Revised) has achieved its intended purpose by identifying:~~

~~(i) Improvements or benefits from applying the revised standard; and~~

~~(i) Practical challenges or questions regarding its application, including whether it is being consistently understood and implemented; and~~

~~(ii)~~

~~(a) Determine what actions, if any, are needed by the IAASB to address identified matters~~~~the PIR will be conducted using a two-phased approach:~~

~~(b) Phase 1—Initial Information Gathering. This phase focuses on undertaking a series of initial activities aimed at obtaining an understanding of the current landscape sufficient to identify key implementation areas to be explored through public consultation.~~

~~(c)(b) Phase 2—Public Consultation and Development of Recommendations. This phase centers on a public consultation survey to solicit feedback across a broad range of stakeholder constituencies and geographies. The goal is to obtain insights into implementation challenges or questions that have been identified or raised relating to ISA 540 (Revised).~~

~~To support these objectives, the IAASB is undertaking a formal public consultation survey to gather information from a board range of stakeholders. Additional targeted outreach activities will be undertaken as well to complement the understanding of identified implementation challenges or questions and to~~

⁶ Please refer to the [ISA 540 Implementation webpage](#) for more information on the non-authoritative materials.

⁷ The value of a PIR is enhanced if sufficient time is allowed for a new or revised standard to be properly embedded in practice and for internal and external monitoring purposes, in the context of global adoption across jurisdictions.

augment, as applicable, the public consultation process to ensure input is obtained from all stakeholder groups. Over the course of the two phases, the following information gathering and research activities will be undertaken:

6. _____

- ~~(a) Targeted outreach activities with particular stakeholder groups who are most affected by with ISA 540 (Revised);~~
- ~~(b) Review of publicly available inspection reports from jurisdictional audit regulators and oversight bodies;~~
- ~~(c) A review of academic research;~~
- ~~(d) A formal public consultation stakeholder survey; and~~
- ~~(e) Additional targeted outreach activities to complement the understanding of identified implementation challenges or questions and to augment, as applicable, the public consultation process to ensure input is obtained from all stakeholder groups.~~

~~6. Through its information gathering and research activities, the IAASB aims to achieve the following:~~

~~Determine whether ISA 540 (Revised) has achieved its intended purpose by identifying:~~

~~Improvements or benefits from applying the revised standard; and~~

~~Practical challenges or questions regarding its application, including whether it is being consistently understood and implemented; and~~

~~Determine what actions, if any, are needed by the IAASB to address identified matters.~~

Potential Output

7. Based on the insights from the public consultation survey and other targeted outreach activities, the IAASB will determine appropriate next steps, which may include one or a combination of further information-gathering activities, standard-setting activities, or development of non-authoritative materials.

8. The IAASB may also determine that no further action is needed or that there are opportunities to facilitate or support actions by others.

8.9. A key consideration will be the nature and extent of any perceived challenges included whether those challenges are due to lack of clarity or insufficiency of the requirements or application material in the standard.

Public Consultation Survey – Request to Stakeholders [Moved to text box at the start of the section]

Section II: About the Respondent

- Please provide the following information about your organization (if applicable) and other contact information:

Organization (or leave blank if you are completing the survey in your personal capacity)	
Name(s) of contact(s) for this submission	
Job title or role	
E-mail address(es) of contact(s)	

- Please select from the following options the stakeholder group to which you or your organization belongs:

[The following options (the “solid bullet points”) will appear. For those where there are hollow bullet points, these will only appear as options if the category to which they are attached is selected.]

- ~~Auditor or Audit~~ Accounting Firm [Group A]
 - Global ~~audit firm~~ accounting firm
 - Large national or regional ~~audit~~ accounting firm
 - Small- or medium-sized ~~audit~~ accounting firm
 - Sole practitioner
 - Public sector audit institution
- Jurisdictional Standard Setter (JSS) or Other Standard Setter [Group B]
- Professional Accountancy or Professional Organization (PAOs) [Group C]
- Regulator or Audit and Assurance Oversight Body [Group D]
- Preparer or Issuer of Financial Statements (Including Public Sector Organizations), or Those Charged with Governance (TCWG) [Group E]
- ~~Investor, Analyst or Other~~ Users of Financial Statements (e.g. investor, analyst, lender or other creditor) [Group F]
- Academia [Group G]
- Other – Please specify [Group H]

- Please select from the following options the geographical region that best matches you or your organization [Drop-down menu with the following options]

- Africa

- Asia Pacific
- Europe
- [Latin South](#) America
- Middle East
- North America
- Global

4. Did you undertake outreach activities with other stakeholders [outside your organization](#) to inform your responses to this survey? **[Yes / No]**

5. Please provide further information about your outreach activities, including:

[Conditional on “Yes” for response to Question 4]

The manner in which the outreach was undertaken.	
The nature and number (or estimate thereof) of stakeholders with whom you engaged.	

6. You are welcome to provide any additional information you believe may be relevant to clarify the context in which you are completing the survey, or the circumstances or experiences that have informed your views or perspectives (or you can choose to leave this question blank).

Additional Input	
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Section III: Overall Questions

[The questions in this section will be included for all stakeholder groups]

This section focuses on whether ISA 540 (Revised) has achieved its intended purposes and objectives.

In revising ISA 540, the IAASB aimed to:

- (a) ~~Revise ISA 540 to~~ Establish more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. These revisions would also emphasize the importance of the appropriate application of professional skepticism when auditing accounting estimates.
- (b) Determine whether non-authoritative guidance and support tools, such as International Auditing Practice Notes, Staff publications, project updates or other materials, should be developed.

The IAASB also issued non-authoritative materials to support the adoption and effective implementation of ISA 540 (Revised), including presentations, flowcharts and diagrams and illustrative examples (refer to the [ISA 540 Implementation Webpage](#)).

Additional Information

Please note, the questions in this section are overarching in nature and allow respondents to share overall ~~or general~~ views without getting into details. The specific questions in **Sections IV** and **V** that follow provide opportunity for respondents to comment in more detail on specific aspects related to auditing of accounting estimates.

7. You may provide overall views about whether ISA 540 (Revised) has achieved its intended purpose and the objectives of the IAASB in developing the revised standard. ~~Kindly note that this is optional and that the specific questions that follow allow respondents to comment in more detail on specific aspects.~~

Additional Input

8. Are you aware of the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised)? [Yes / No]

Additional Input

[\[This question will appear if the respondent answers “Yes” to question 8.\]](#)

- 8A. [Do you agree that the non-authoritative guidance and support tools developed to support the implementation of ISA 540 \(Revised\) are useful?](#)

4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
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[Input](#)

Section IV: Perceived Benefits from ISA 540 (Revised)

This section seeks to understand stakeholders' perspectives on the perceived benefits or improvements resulting from the implementation of ISA 540 (Revised). The purpose is to gather insights on how the revised standard has, for example, contributed to enhanced audit quality by promoting consistency in the approach to auditing accounting estimates, or contributed to enhanced financial reporting quality by fostering greater interaction among the auditor, management and those charged with governance.

Additional Information

Please note, this section deliberately focuses on **perceived benefits or improvements**. To enhance the richness of input from the survey and to facilitate more effective analysis of responses received, please limit your responses to these aspects. The next section, **Section V**, allows you to share your views on any issues or challenges, or certain specific impacts relating to ISA 540 (Revised).

9. For each perceived benefit, indicate the extent to which you agree that ISA 540 (Revised) has led to benefits or improvements.

[The following scale will appear for each benefit.]

5— Strongly Agree	4—Slightly Agree	3—Slightly Disagree	2— Disagree	1— Strongly Disagree	0—No Response to this Matter
4—Strongly Agree	3—Agree	2—Disagree	1—Strongly Disagree	0—No Response	

[The list of perceived benefits will be tailored based on the stakeholder group. Each group is represented by a letter as follow:

A – Auditor or Audit Accounting Firm; B – JSS or Other Standard Setter; C – PAOs; D – Regulator or Audit and Assurance Oversight Body; E – Preparer or Issuer of Financial Statements (Including Public Sector Organizations) or TCWG; F – Investor, Analyst or Other Users of Financial Statements; G – Academia; H – Other]

Benefits of ISA 540 (Revised)		Stakeholder Group							
		A	B	C	D	E	F	G	H
(a)	Increased focus on the audit of accounting estimates, in particular complex accounting estimates.	x	x	x	x	x	x	x	x
(a)	Enhanced exercise of professional skepticism when auditing accounting estimates.	x	x	x	x	x		x	x
(b)	Greater consideration of the skills and competencies of the engagement team, including the need to involve specialists or experts.	x	x	x	x	x		x	x

Benefits of ISA 540 (Revised)	Stakeholder Group							
	A	B	C	D	E	F	G	H
(c) Greater attention to understanding management's process for making estimates, including the selection of methods, assumptions and data (and the consistency of selection between periods).	x	x	x	x	x		x	x
(d) Better or more focused assessments of the risk of material misstatements for accounting estimates.	x	x	x	x	x		x	x
(e) More focus on understanding and testing controls related to accounting estimates.	x	x	x	x	x		x	x
(f) Increased auditor attention to disclosures related to accounting estimates, including disclosures about estimation uncertainty.	x	x	x	x	x		x	x
(g) <u>Better-Enhanced</u> interactions and communications between the auditor and management and those charged with governance related to the audit of accounting estimates.	x	x	x	x	x	x	x	x
(h) <u>Better interaction and communication between management and those charged with governance related to accounting estimates.</u>					x	x	x	x
(i) Enhanced quality of financial reporting <u>on-related to</u> accounting estimates <u>due to, for example, additional auditor attention during the audit and improved communication between the auditor and management and those charged with governance.</u>	x	x	x	x	x	x	x	x

10. Are there any additional benefits or positive outcomes arising from the implementation of ISA 540 (Revised) that you would like to highlight? **[Yes / No]**

[Text box, if answer is Yes"]

Additional input

Section V-A: Potential Issues or Challenges Relating to ISA 540 (Revised)

[This section will appear for the following stakeholder groups:

- A – Auditor and Audit Accounting Firm;
- B – JSS or Other Standard Setter;
- C – PAOs;
- D – Regulator or Audit and Assurance Oversight Body;
- G – Academia; and
- H – Other]

A. Scalability and Proportionality

The IAASB acknowledged the importance of a scalable standard for all types of accounting estimates, from those that are relatively simple to those that are complex, and included several elements to address this, including:

- Introducing and emphasizing the concept of a spectrum of inherent risk (paragraph 4). Under the spectrum of inherent risk concept, the assessment of inherent risk depends on the degree to which the inherent risk factors affect the likelihood or magnitude of misstatement, and varies on a scale.
- Specific paragraphs in the application material that demonstrate how ISA 540 (Revised) is scalable in the risk assessment (paragraphs A20-A22) and the responses to the assessed risks of material misstatement (paragraph A84).
- Emphasizing in a requirement that the auditor's further audit procedures need to be responsive to the reasons for the assessment of the risks of material misstatement at the assertion level and that the auditor's further audit procedures shall take into account that the higher the assessed risk of material misstatement, the more persuasive the audit evidence needs to be (paragraph 18).

11. ISA 540 (Revised) was designed to be capable of being applied to all accounting estimates, and for the nature, timing and extent of the risk assessment and further audit procedures to be varied in relation to the estimation uncertainty and the assessment of the risks of material misstatement. Indicate the extent to which you have [experienced or observed] or are aware of any issues or challenges related to scalability and proportionality.

[The question will be tailored for the appropriate stakeholder group (e.g., firms will be asked if they have experienced challenges and regulators will be asked if they have observed challenges.)]

[The following scale will appear.]

<u>4 – Significant Issues or Challenges</u>	<u>3 – Moderate Issues or Challenges</u>	<u>2 – Minor Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response</u>
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6— Significant issues-or Challenges	5—Major issues-or Challenges	4— Moderate issues-or Challenges	3—Minor issues-or Challenges	2—Minimal issues-or Challenges	1—No issues-or Challenges	0—No Response to-this Matter
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12. Briefly describe these or any other issues or challenges you [encountered or observed] related to scalability and proportionality.

Additional Input

- 12A. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard? [Yes / No / Difficult to Determine / No Response]

13. Do you have anyWhat specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)~~for resolving the challenges you have identified?~~

Additional Input

B. Professional Skepticism

ISA 540 (Revised) includes several key elements that are designed to enhance the auditor's application of professional skepticism, including:

- Use of stronger language, such as “challenge,” “question,” and “reconsider” to reinforce the importance of exercising professional skepticism (see, for example, paragraphs A60, A95, and A135 of ISA 540 (Revised)).
- A requirement to design and perform further audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory (paragraph 18).
- A requirement to “stand back” and evaluate the audit evidence obtained regarding the accounting estimates, including both corroborative and contradictory audit evidence (paragraphs 33–35).

14. Indicate the extent to which you have [experienced or observed] or are aware of the following issues or challenges [in applying or relating to] ISA 540 (Revised) with respect the auditor *exercising professional skepticism* when auditing accounting estimates and related disclosures.

[The question will be tailored for the appropriate stakeholder group (e.g., firms will be asked if they have *experienced* challenges and regulators will be asked if they have *observed* challenges.)]

[The following scale will appear for each challenge.]

<u>4 – Significant issues or Challenges</u>	<u>3 – Moderate issues or Challenges</u>	<u>2 – Minor Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response</u>
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6— Significant Issues-or Challenges	5—Major Issues-or Challenges	4— Moderate Issues-or Challenges	3—Minor Issues-or Challenges	2—Minimal Issues-or Challenges	1—No Issues-or Challenges	0—No Response to-this Matter
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Issues or Challenges in Applying ISA 540 (Revised)

- (a) ~~Appropriately~~ Challenging management's judgments used in making accounting estimates, particularly when they involve complex or subjective inputs.
- (b) Identifying and appropriately responding to potential indicators of management bias in the development of accounting estimates.
- (c) ~~Evaluating whether sufficient appropriate audit evidence has been obtained, including~~ Appropriately taking into account considering all relevant audit evidence obtained, whether corroborative or contradictory.

15. Briefly describe these or any other issues or challenges you ~~[encountered or observed]~~ encountered related to exercising professional skepticism ~~and explain what you believe were the underlying root causes (e.g., unclear requirements or insufficient application material, or related to matters of methodology, training, practicalities in application, etc.).~~

Additional Input

- 15A. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard? [Yes / No / Difficult to Determine / No Response]

16. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)? ~~Do you have any suggestions for resolving the challenges you have identified?~~

Additional Input

C. Risk Assessment Procedures

ISA 540 (Revised) includes an enhanced risk assessment specifically tailored to accounting estimates that builds on the risk assessment required by ISA 315 (Revised 2019). The inherent risk factors of estimation uncertainty, complexity and subjectivity play a central role in the approach to the identification and assessment of the risks of material misstatement related to accounting estimates, and the responses to those assessed risks. ISA 540 (Revised) also notes that there may be other inherent risk factors, including susceptibility to misstatement due to management bias or fraud.

17. Indicate the extent to which you have [experienced or observed] the following issues or challenges in applying ISA 540 (Revised) with respect to *risk assessment procedures and identifying and assessing the risks of material misstatement related to accounting estimates*.

[The question will be tailored for the appropriate stakeholder group (e.g., firms will be asked if they have *experienced* challenges and regulators will be asked if they have *observed* challenges.)]

[The following scale will appear for each challenge.]

<u>4 – Significant Issues or Challenges</u>	<u>3 – Moderate Issues or Challenges</u>	<u>2 – Minor Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response</u>
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<u>5 – Significant Issues or Challenges</u>	<u>5 – Major Issues or Challenges</u>	<u>4 – Moderate Issues or Challenges</u>	<u>3 – Minor Issues or Challenges</u>	<u>2 – Minimal Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response to this Matter</u>
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Issues or Challenges in Applying ISA 540 (Revised)	
(a)	The consideration of inherent risk factors and the interrelationship between them in identifying and assessing risks of material misstatement related to accounting estimates.
(b)	How the understanding of the entity and its environment, and the entity's internal control for accounting estimates, relates to the understanding required by ISA 315 (Revised 2019) (i.e., whether it is clear that the requirements in paragraph 13 of ISA 540 (Revised) relate specifically to accounting estimates and build on the broader requirements in ISA 315 (Revised 2019)).
(c)	Reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation (i.e., the retrospective review of accounting estimates).
(d)	Understanding management's process for making accounting estimates, including how management identifies and selects relevant methods, assumptions and data, and how management understands and addresses estimation uncertainty.
(e)	The separate assessments of inherent and control risk relating to an accounting estimate.
(f)	Whether any of the assessed risks of material misstatement are significant risks.
(g)	The interaction of ISA 540 (Revised) with ISA 315 (Revised 2019) in relation to risk assessment procedures and the identification and assessment of risks of material misstatement.

17A. Provide additional input, if any, about any issues or challenges regarding the interaction of ISA 540 (Revised) with ISA 315 (Revised 2019) in relation to risk assessment procedures and the identification and assessment of risks of material misstatement for accounting estimates.

Input	
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[The following question will appear if respondents ~~have selected~~ a “~~Some~~Moderate” or “Significant” issues or challenges ~~response~~ (i.e., scale 3 or 4) **for challenge (c)** at question 17.]

18. Indicate the extent to which you ~~have [experienced or observed]~~ agree with the following ~~issues or challenges~~ statements in applying ISA 540 (Revised) with respect to *reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation.*

[The following scale will appear for each ~~issue or challenge~~ statement.]

<u>4 – Strongly Agree</u>	<u>3 – Agree</u>	<u>2 – Disagree</u>	<u>1 – Strongly Disagree</u>	<u>0 – No Response</u>
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<u>5 – Significant Issues or Challenges</u>	<u>5 – Major Issues or Challenges</u>	<u>4 – Moderate Issues or Challenges</u>	<u>3 – Minor Issues or Challenges</u>	<u>2 – Minimal Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response to this Matter</u>
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Issues or Challenges in Applying ISA 540 (Revised) Statements Related to Retrospective Review

- (a) ~~The design of entities’ systems and records limits the auditor’s ability to perform effective retrospective reviews.~~
- (b) The retrospective review process is difficult due to changes in economic conditions or assumptions that make prior-period estimates less comparable.
- (c) The time and effort required to perform a retrospective review outweigh the perceived benefits for audit risk assessment.

19. Briefly describe these or any other issues or challenges you ~~[encountered or observed]~~ encountered related to risk assessment procedures and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity, and explain what you believe were the underlying root causes (e.g., unclear requirements or insufficient application material, or related to matters of methodology, training, practicalities in application, etc.).

Additional Input

- 19A. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard? [Yes / No / Difficult to Determine / No Response]

20. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)? Do you have any suggestions for resolving the challenges you have identified?

Additional Input

D. Responses to the Assessed Risks of Material Misstatement and Overall Evaluation

The auditor's responses to assessed risks of material misstatement for accounting estimates includes one or more of the following testing strategies:

- Obtaining audit evidence from events occurring up to the date of the auditor's report;
- Testing how management made the accounting estimate; or
- Developing an auditor's point estimate or range.

For these testing strategies, the IAASB introduced objective-based requirements, focused on methods (including models), assumptions and data. The objective-based requirements allow scalability in the nature, timing and extent of the procedures performed, recognizing that the higher the assessed risks of material misstatement, the more persuasive the audit evidence needs to be.

ISA 540 (Revised) requires the auditor to determine whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated. In making this determination, the auditor is required to evaluate the effect of uncorrected misstatements on the financial statements. ISA 540 (Revised) provides guidance for that evaluation, consistent with ISA 450, *Evaluation of Misstatements Identified During the Audit*.

21. Indicate the extent to which you have [experienced or observed] the following issues or challenges in applying ISA 540 (Revised) with respect to *responding to the assessed risks of material misstatement*.

[The question will be tailored for the appropriate stakeholder group (e.g., firms will be asked if they have *experienced* challenges and regulators will be asked if they have *observed* challenges.)]

[The following scale will appear for each challenge.]

<u>4 – Significant Issues or Challenges</u>	<u>3 – Moderate Issues or Challenges</u>	<u>2 – Minor Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response</u>
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6— Significant Issues or Challenges	5—Major Issues or Challenges	4— Moderate Issues or Challenges	3—Minor Issues or Challenges	2—Minimal Issues or Challenges	1—No Issues or Challenges	0—No Response to this Matter
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Issues or Challenges in Applying ISA 540 (Revised)

Responses to the Assessed Risks of Material Misstatement

- (a) Determining the most appropriate response(s) to the assessed risks of material misstatement at the assertion level from among the testing approaches in paragraph 18 of ISA 540 (Revised).

Issues or Challenges in Applying ISA 540 (Revised)

- (b) Determining whether to test the operating effectiveness of controls related to an accounting estimate.
- (c) Appropriately applying the testing approach ~~(alone or with another testing approach(es))~~ of obtaining audit evidence about events occurring up to the date of the auditor's report, either alone or with another testing approach(es).
- (d) Testing how management made the accounting estimate.
- (e) Developing an auditor's point estimate or range.

Overall Evaluation

- (f) Determining whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.
- (g) Evaluating identified misstatements related to accounting estimates, including when the audit evidence supports a point estimate that differs from management's point estimate or a range that does not include management's point estimate, or when the auditor's range is wide (in some cases, multiples of materiality for the financial statements as a whole).

[The following question will appear if respondents ~~have selected~~ a “~~Some~~Moderate” or “Significant” issues or challenges (i.e., scale 3 or 4) **for challenge (d)** at question 21.]

22. Indicate the extent to which you have [experienced or observed] the following issues or challenges in applying ISA 540 (Revised) with respect to *testing how management made the accounting estimates*.

[The following scale will appear for each issue or challenge.]

<u>4 – Significant Issues or Challenges</u>	<u>3 – Moderate Issues or Challenges</u>	<u>2 – Minor Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response to this Matter</u>
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<u>6 – Significant Issues or Challenges</u>	<u>5 – Major Issues or Challenges</u>	<u>4 – Moderate Issues or Challenges</u>	<u>3 – Minor Issues or Challenges</u>	<u>2 – Minimal Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response to this Matter</u>
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Issues or Challenges in Applying ISA 540 (Revised)

- (a) Testing management's selection of the method, significant assumptions, and data used, including whether management's judgments give rise to indicators of possible management bias.

Issues or Challenges in Applying ISA 540 (Revised)

- (b) Understanding management's application of the method involving complex modelling and testing complex models, including the integrity and completeness of the data used.
- (c) Whether management has taken appropriate steps to understand and address estimation uncertainty, including the selection of an appropriate point estimate and developing related disclosures about estimation uncertainty.

23. [The following question will appear if respondents have selected a “Some” or “Moderate” or “Significant” issues or challenges (i.e., scale 3 or 4) for challenge (e) at question 21.]

24.23. Please indicate the extent to which you have [experienced or observed] the following issues or challenges in applying ISA 540 (Revised) with respect to *developing a point estimate or range*.

[The following scale will appear for each issue or challenge.]

<u>4 – Significant Issues or Challenges</u>	<u>3 – Moderate Issues or Challenges</u>	<u>2 – Minor Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response to this Matter</u>
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<u>5 – Significant Issues or Challenges</u>	<u>5 – Major Issues or Challenges</u>	<u>4 – Moderate Issues or Challenges</u>	<u>3 – Minor Issues or Challenges</u>	<u>2 – Minimal Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response to this Matter</u>
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Issues or Challenges in Applying ISA 540 (Revised)

- (a) Determining when it may be appropriate to develop an auditor's point estimate or range.
- (b) Determining that the auditor's range includes only amounts that are supported by sufficient appropriate audit evidence and have been evaluated to be reasonable in the context of the measurement objectives and other requirements of the applicable financial reporting framework.
- (c) Maintaining objectivity and independence, particularly for example, when material adjustments are made to management's point estimate based on the auditor's point estimate developed using a model or assumptions that were different from management's models and assumptions ~~form the starting point for the analysis.~~

25.24. Briefly describe these or any other issues or challenges you [encountered or observed] ~~encountered~~ related to responding to risks of material misstatement and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity and explain what you believe were the underlying root causes (e.g., unclear requirements

~~or insufficient application materials, or related to matters of methodology, training, practicalities in application, etc.).~~

~~Additional Input~~

24A. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard? [Yes / No / Difficult to Determine / No Response]

26-25. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)? Do you have any suggestions for resolving the challenges you have identified?

~~Additional Input~~

E. Other Matters – Communications, Specialized Skills or Knowledge and Documentation

ISA 540 (Revised) enhanced the requirements for other aspects of auditing accounting estimates and related disclosures, such as:

- Communication with TCWG, management or other relevant parties;
- Specialized skills or knowledge, including using the work of an auditor's expert; and
- Documentation.

27-26. Please indicate the extent to which you have [experienced or observed] the following issues or challenges in applying ISA 540 (Revised) with respect to *communication, specialized skills or knowledge, including using the work of an auditor's expert, and documentation*.

[The question will be tailored for the appropriate stakeholder group (e.g., firms will be asked if they have *experienced* challenges and regulators will be asked if they have *observed* challenges.)]

[The following scale will appear for each issue or challenge.]

<u>4 – Significant Issues or Challenges</u>	<u>3 – Moderate Issues or Challenges</u>	<u>2 – Minor Issues or Challenges</u>	<u>1 – No Issues or Challenges</u>	<u>0 – No Response</u>
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5 – Significant Issues or Challenges	5 – Major Issues or Challenges	4 – Moderate Issues or Challenges	3 – Minor Issues or Challenges	2 – Minimal Issues or Challenges	1 – No Issues or Challenges	0 – No Response to this Matter
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Issues or Challenges in Applying ISA 540 (Revised)

Communications

- (a) Determining the matters, if any, to communicate related to accounting estimates, (including about significant qualitative aspects of the entity's accounting practices and significant deficiencies in internal control).

Specialized Skills or Knowledge, Including Using the Work of an Auditor's Expert

- (b) Determining when it is appropriate to involve an auditor's expert(s) (an internal or external expert) and using the work of an auditor's expert(s) in auditing an accounting estimate(s).

Documentation

- (c) Preparing appropriate audit documentation in accordance with the requirements in paragraph 39 of ISA 540 (Revised).

~~28:27.~~ Briefly describe these or any other issues or challenges you [encountered or observed] ~~encountered~~ related to communications, specialized skills or knowledge (including using the work of an auditor's expert) and documentation, ~~and explain what you believe were the underlying root causes (e.g., unclear requirements or insufficient application material, or related to matters of methodology, training, practicalities in application, etc.).~~

Additional Input

27A. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard? [Yes / No / Difficult to Determine / No Response]

~~29:28.~~ What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)? ~~Do you have any suggestions for resolving the challenges you have identified?~~

Additional Input

Section V-B: Impacts of ISA 540 (Revised)

[This section will appear for Group E – Preparer or Issuer of Financial Statements or TCWG.]

30.29. Since the effective date of ISA 540 (Revised), indicate the extent to which you agree with the following statements about specific impacts relating to the auditing of accounting estimates as part of the audit engagement.

[The following scale will appear for each statement.]

<u>4 – Strongly Agree</u>	<u>3 – Agree</u>	<u>2 – Disagree</u>	<u>1 – Strongly Disagree</u>	<u>0 – No Response</u>
<u>4 – Significant Impact</u>	<u>3 – High Impact</u>	<u>2 – Moderate Impact</u>	<u>1 – Low Impact</u>	<u>0 – Minimal Impact</u>

Statement Related to the Application of ISA 540 (Revised)

- (a) There has been an increase in dialogue with the auditor and requests for additional documentation and evidence to support how we develop accounting estimates and related disclosures.
- (b) The interactions with the auditor about our process for making accounting estimates has led us to further challenge our approach to the selection of the method, assumptions and data used.
- (c) The interactions with the auditor about our process for making accounting estimates has led to further consideration about the disclosures related to accounting estimates, including disclosures about estimation uncertainty.
- (d) The interactions with the auditor related to accounting estimates has influenced our decisions about the need to involve a management's expert.

31.30. Describe your views about these or any other impacts you have observed or become aware of, related to the application of ISA 540 (Revised) by auditors.

Additional Input

30A. What specific suggestions do you have for how the IAASB can best address any issues or challenges related to auditing accounting estimates (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input

Section V-BC: Impacts of ISA 540 (Revised)

[This section will appear for Group F – ~~Investor, Analyst or Other~~ Users of Financial Statements.]

~~32.31.~~ From your interactions with auditors or those charged with governance of entities, or from your analysis of entities' financial reporting, indicate the extent to which you agree with the following statements about specific impacts relating to the auditing of accounting estimates as part of the audit engagement.

[The following scale will appear for each statement.]

<u>4 – Strongly Agree</u>	<u>3 – Agree</u>	<u>2 – Disagree</u>		<u>1 – Strongly Disagree</u>	<u>0 – No Response</u>	
6—Significant Impact	5—High Impact	4—Moderate Impact	3—Low Impact	2—Minimal Impact	1—No Impact	0—No Response to this Matter

Statements Related to the Application of ISA 540 (Revised)

- (a) Confidence that the auditor's application of ISA 540 (Revised) has quality of the entity's disclosures in the financial statements related resulted in appropriate work effort in identifying and responding to risks of material misstatement relating to accounting estimates has improved in the financial statements.
- (b) The communications in the auditor's report (e.g., when applicable, Key Audit Matters related to accounting estimates) have improved in terms of describing the matter(s) and how the auditor has addressed the matter(s) in the audit. ~~Confidence that the auditor's application of ISA 540 (Revised) has improved the relevance and reliability of the audit evidence obtained that provides a basis for the auditor's opinion.~~
- (c) Appropriate consideration of involving expertise in the auditing of accounting estimates (including the use management's experts or auditor's experts). Auditors are devoting appropriate attention to the entity's accounting estimates as part of the financial statement audit.
- (d) The standard has strengthened the auditor's exercise of professional skepticism, including the challenge of management and awareness of potential management bias. ~~There is greater consistency in how audit firms approach the audit of accounting estimates since ISA 540 (Revised) was issued.~~
- (e) There is enhanced communication by the auditor with those charged with governance, management, or other relevant parties.

~~33.32.~~ Describe your views about these or any other impacts that you have observed or become aware of, related to the application of ISA 540 (Revised) by auditors.

Additional Input

32A. What specific suggestions do you have for how the IAASB can best address any issues or challenges related to auditing accounting estimates (e.g., standard-setting, non-authoritative guidance, or other actions)?

[Input](#)