

Agenda Item 8-B.1 (Supplemental)

Post-Implementation Review of ISA 540 (Revised)¹ – Respondents' Detailed Comments to Overall Questions in the Online Survey

Given the length of the document, the Project Team has added hyperlinks to the questions and themes included in this Agenda Item. Readers can click on the relevant question or theme to move directly to the corresponding section of the document, making it easier to navigate between sections without having to scroll through the full document.

This Agenda Item presents the 96 respondents' detailed comments on the narrative questions included in **Section III – Overall Questions** of the [online survey](#). The comments are presented by significant themes and stakeholder groups. Because the feedback was analyzed by significant themes, individual respondents may have raised comments relating to more than one theme; accordingly, the number of comments presented under the individual themes may not equal the total number of respondents. The feedback received was analyzed and summarized in **Part B of Agenda Item 8**.

Narrative Questions Included in Section III – Overall Questions

- (a) [Question 6](#): Please provide overall views about whether ISA 540 (Revised) has achieved its intended purpose and the objectives of the IAASB in developing the revised standard.
- (b) [Question 7A](#): Do you agree that the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised) are useful?

Question 6

Please provide overall views about whether ISA 540 (Revised) has achieved its intended purpose and the objectives of the IAASB in developing the revised standard.

Significant Themes

- [A. Benefits of ISA 540 \(Revised\)](#)
- [B. Issues or Challenges Related to ISA 540 \(Revised\)](#)
- [C. Suggestions for Course of Actions](#)
- [D. No Specific Responses](#)

A. Benefits of ISA 540 (Revised)

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

Overall Assessment of ISA 540 (Revised)

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

IFIAR acknowledges that the objectives of the revision of ISA 540 (Revised) have been partially achieved. The revised standard has improved clarity in articulating expectations related to:

- More focused risk assessments, particularly through an increased emphasis on inherent risk factors (Question 8(d));
- The exercise of professional scepticism, including the introduction of the “stand back” requirement (Question 8(a); and
- Understanding and evaluating management's process for making accounting estimates, including the auditor's evaluation of methods, assumptions and data used in accounting estimates (Question 8(c)).

These enhancements represent meaningful improvements over the extant standard and align conceptually with inspection findings observed across jurisdictions.

International Organization of Securities Commissions (IOSCO) Committee 1

Overall Comments

We appreciate the IAASB's work to evaluate whether ISA 540 (Revised) has achieved its intended purpose through this post-implementation review. The review of both benefits and practical challenges provide valuable insight into how effectively the standard is applied in audit practice.

IOSCO's Statement on High Quality Valuation Information in Financial Reporting (November 2025) highlights the need for auditors to perform sufficient procedures when evaluating accounting estimates and related disclosures, including fair value measurements. The statement also notes that certain IOSCO members have observed instances where disclosures related to accounting estimates, particularly fair value disclosures, lack a sufficient level of detail or disaggregation of information to be meaningful to users.

Further, the IFIAR 2025 Inspection Findings Survey Report¹ indicates that engagement-level inspection findings for listed public interest entity (PIE) audits continue to be prevalent in the area of accounting estimates (including fair value measures), representing findings in approximately 16-22% of audits inspected in the 5-years ended 2025. While this reflects improvement relative to the 5-year period ended 2020 prior to the adoption of ISA 540 (Revised) in the same IFIAR Report for 2020, we believe these findings demonstrate that auditors would benefit from additional guidance to support more consistent application of the standard.

Overall, we believe ISA 540 (Revised) introduced stronger requirements and clearer guidance for auditors to support robust audit procedures over accounting estimates and related disclosures, reinforced appropriate professional skepticism, promoted focused risks assessment, and enhanced communications between the auditor, management and those charged with governance.

2. Users of Financial Statements

Bank Aljazira

Overall, we believe that ISA 540 (Revised) has achieved its intended purpose by enhancing the audit of accounting estimates through a clearer risk-based approach and strengthened professional skepticism. The revised standard provides an appropriate framework for improving audit quality and consistency, and we support its objectives as developed by the IAASB

European Federation of Financial Analysts' Societies (EFFAS)

The ISA 540 by and large has achieved its purpose. On the audited accounts, entities disclose more explicitly inherent risks of the activities and have a broader oversight on the financial reporting process relevant to accounting estimates.

Gulf international Bank KSA

ISA 540 (Revised) has increased the emphasis on understanding the entity's estimation process, data and models, leading to higher quality audit evidence and improved the reliability of financial reporting.

3. Preparers or Issuers of Financial Statements, Including TCWG

AJIL Financial Services Company

From a preparer's perspective, ISA 540 (Revised) has largely achieved its objectives by strengthening governance over significant estimates, enhancing support for key assumptions and judgments, and improving discussions with auditors on estimation uncertainty.

Alinma Bank

In our view is that ISA 540 (Revised) has generally achieved its intended purpose and met the IAASB's objectives.

Arab National Bank

Overall, ISA 540 (Revised) has successfully achieved its intended purpose and the IAASB's objectives.

Geidea Company

ISA 540 (Revised) has generally achieved its intended purpose by improving the quality and rigor of audits related to accounting estimates. The standard has enhanced auditors' focus on key assumptions, estimation uncertainty, and supporting evidence, resulting in greater transparency and reliability in financial reporting. While its implementation may require additional documentation and effort, the overall impact has been positive in strengthening audit quality and stakeholder confidence in financial statements

Hala Payments

Yes. In my view, ISA 540 (Revised) has largely achieved its intended purpose and the IAASB's objectives. The standard has strengthened the audit of accounting estimates by introducing a more robust risk-based approach, enhancing focus on estimation uncertainty and management bias, and promoting greater professional skepticism. It has also improved audit quality and consistency, particularly in areas involving complex judgments and forward-looking assumptions, while providing a scalable framework that can be applied across different types and sizes of entities.

Lendo Saudi Arabia for Financing Company

Overall, ISA 540 (Revised) has meaningfully achieved its intended purpose. From our experience as a preparer of financial statements in the regulated financial services sector in Saudi Arabia, the revised standard has led to a more structured and rigorous audit approach when it comes to accounting estimates, particularly in areas such as Expected Credit Loss (ECL) provisioning under IFRS 9, which represents our most significant area of estimation uncertainty.

Madfu BNPL Financing Company

Yes, ISA 540 (Revised) has significantly improved the audit quality regarding accounting estimates, especially for complex models like (ECL). The enhanced requirements for risk assessment and the emphasis on professional skepticism have led to more transparent communications between auditors and preparers. It provides a more structured approach to evaluating assumptions and data used in financial modeling.

Masar Finance Company

It has improved audit quality and in auditing estimates but also have made judgement level of auditors too high.

Mike Reid

I think it has improved the process as it has lifted the quality and quantity of evidence supporting the estimates. In addition, it requires auditors to properly consider and evaluate corroborating (or conflicting) evidence.

Rami Aljabri

IAS 540 (Revised) has achieved its intended objectives by enhancing audit quality, strengthening professional skepticism, and improving the audit of accounting estimates. The revised risk assessment requirements in paragraph 13 have improved the identification of risk assessment that related to accounting estimation. In addition, paragraph 38 has enhanced the requirements of governance communication regarding transparency and oversight by those charged with governance. Overall, the revised standard has contributed in professional way and more effectively in audit quality.

4. Regulators and Audit and Assurance Oversight Bodies

Botswana Accountancy Oversight Authority (BAOA)

ISA 540 (Revised) has achieved its intended purpose of enhancing audit quality in relation to accounting estimates and related disclosures. The revised standard has strengthened auditors' focus on professional skepticism, risk assessment, and the evaluation of management assumptions and methodologies. The introduction of inherent risk factors and objective-based requirements has improved the rigor and consistency of audit procedures, particularly for complex and judgmental estimates. The standard has also contributed to improved communication between auditors, management, and those charged with governance regarding estimation uncertainty and related disclosures. The standard has encouraged more robust documentation and greater involvement of specialists where appropriate.

Canadian Public Accountability Board (CPAB)

Overall Comments

Overall, CPAB believes that the IAASB has partially achieved its objectives in developing ISA 540 (Revised) because the revised standard has more clearly articulated expectations related to risk assessment, professional skepticism, and the evaluation of audit evidence. In particular, the emphasis on inherent risk factors, the stand-back requirement, and the focus on methods, assumptions, and data represent meaningful enhancements that should result in improved audit quality.

Chamber of Auditors of Azerbaijan Republic

Yes, it has had an impact. It is widely used by our members.

Chamber of Auditors of the Czech Republic

ISA 540 (Revised) appears to have generally achieved its intended purpose of strengthening the auditor's approach to auditing accounting estimates and related disclosures. The standard provides a clearer framework for risk assessment and encourages greater professional skepticism. While its implementation may increase complexity and documentation in some cases, the objectives of the IAASB in enhancing audit quality appear to have been largely met.

Independent Regulatory Board for Auditors (IRBA)

Overall, we are of the view that ISA 540 (Revised) has largely achieved its intended purpose and represents a significant improvement on the previous standard. It provides a more structured and robust framework for auditing accounting estimates, with greater emphasis on risk assessment, understanding management's process, and designing disciplined audit responses.

Lesotho Institute of Accountants

Overall, ISA 540 (Revised) has largely achieved its intended purpose of improving the auditing of accounting estimates in response to increasing complexity, uncertainty, and the growing use of judgment, models, fair values, and forward-looking information in financial reporting. It has strengthened risk assessment, enhanced professional skepticism, and improved the evaluation of management bias, resulting in more robust audit procedures and better assessment of both complex estimates and related disclosures. This has contributed to improved audit quality, consistency, and transparency.

Public Accountants and Auditors Board Zimbabwe (PAABZ)

ISA 540 (Revised) has achieved its intended objective of enhancing audit quality in relation to accounting estimates by strengthening risk assessment, professional scepticism, audit responses and evaluation of estimation uncertainty. The revised requirements have provided a more robust framework for auditors when addressing significant estimates and related disclosures.

Saudi Central Bank (SAMA)

SAMA acknowledges the significant improvements brought by ISA 540 (Revised) in enhancing audit quality related to accounting estimates. The standard has strengthened professional skepticism and deepened dialogue between auditors, management, and those charged with governance, particularly in complex areas such as actuarial models and financial asset valuations.

UK Financial Reporting Council (UK FRC)

The FRC considers that ISA 540 (Revised) has largely achieved its intended purposes and objectives, namely to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures; and to emphasise the appropriate application of professional scepticism by practitioners when auditing accounting estimates. The revisions have encouraged:

- Improvements in risk assessment and auditor work-effort in response to assessed risks of material misstatement;

- Enhancements to the application of professional scepticism by auditors to accounting estimates;
- The design and performance of audit procedures in ways that are not biased towards obtaining evidence that is either corroborative or exclusionary towards contradictory audit evidence;
- Requiring audit procedures to be designed and performed in a manner that is not biased toward obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory;
- Enhancements to retrospective review and overall evaluation based on procedures performed as a result of the "stand back" requirement; and
- Improvements in the documentation of work performed.

5. Jurisdictional and Other Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASB)

Overall views from the parties we engaged with on whether ISA 540 (Revised) achieved its intended purpose.

Agreed that the revisions introduced more robust requirements and detailed guidance which have improved the engagement team's understanding of how to audit accounting estimates.

Australian Auditing and Assurance Standards Board (AuASB)

ISA 540 (Revised) is clearer, more structured, has a more granular risk assessment, has more targeted procedures to respond to identified risks, and emphasises professional scepticism.

There are still challenges and improvement opportunities outlined in this survey response with this standard.

Group of Latin American Accounting Standards Setters (GLASS)

As a general opinion, we can say that ISA 540 has achieved its intended purpose and the objectives of the IAASB in its implementation in large entities, which have technical structures in accordance with their size.

Hong Kong Institute of Certified Public Accountants (HKICPA)

Overall, respondents considered that ISA 540 (Revised) has broadly achieved its intended purpose and the IAASB's objectives in developing the revised standard.

Institut der Wirtschaftsprüfer (IDW)

Overall, we believe that ISA 540 (Revised) has achieved its intended purpose.

Instituto Mexicano de Contadores Públicos (IMCP)

We consider that the revised standard has achieved its intended purposes taking into account the current business models & environment across the different types of industries.

Japanese Institute of Certified Public Accountants (JICPA)

Overall, we believe that the ISA 540 (Revised), hereinafter the "Revised Standard," provides clear requirements and application guidance that align with the IAASB's original objectives. Given the progress in understanding the Revised Standard in post revision practice and the degree of integration into the

implementation of procedures, we believe the objectives of the standard revision have been generally achieved.

New Zealand Auditing and Assurance Standards Board of the External Reporting Board

There has been improved audit focus related to accounting estimates. In particular, auditors appear to place greater emphasis on risk assessment, documentation, and the application of professional scepticism.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

We found that ISA (540) (Revised) provides a detailed guidance (extensive application materials) which is responsive to the increased use of complex estimates in the financial reports. It provides clarity which should have strengthen auditors' ability to identify, assess, and respond to risk of material misstatements related to accounting estimates, promotes auditors' skeptical mindset, and supports auditors' performance of audit procedures.

We believe that the introduction of objective-based requirements, which require auditors to tailor their testing strategies specifically to the methods (including models), assumptions, and data used in developing estimates, has encouraged a deeper, more analytical approach towards a more targeted, risk-responsive work.

The greater granularity in risk assessment that the ISA 540 (Revised) demands, should have pushed auditors to dissect the estimate into its core components. This has led to a more structured evaluation of where risks truly lie; whether in the model design, the assumptions applied, or the reliability of data inputs. As a result, audit responses are now better aligned to the nature and level of estimation uncertainty.

This increased granularity has also helped in identifying precisely where an expert is needed and why. Rather than bringing in an expert as a default step, audit teams are now better able to define the scope and purpose of the expert's involvement. Importantly, it has improved the connection between the expert's work and the overall audit strategy, ensuring that their input is not siloed but meaningfully integrated into the audit evidence.

The supporting materials has been another benefit. The flowchart in particular has proven to be a powerful tool; offering a clear, high-level map of a complex standard. It has helped teams navigate the standard's structure and apply it more confidently.

In summary, ISA 540 (Revised) has moved the audit of estimates into a more robust, risk-focused space. The emphasis on understanding the underlying estimation process, coupled with practical tools, has improved both clarity and audit effectiveness.

South Africa Institute of Chartered Accountants (SAICA)

- Scalability of accounting estimates is considered understanding that accounting estimates can be complex whereas other estimates can be rather simple in nature.
- The introduction of uniformed inherent risk factors has lead to improved and consistent application of the standard.

Overall Positive views

- ISA 540 (Revised) has achieved it's intended purpose and objectives in the following ways :Enhanced risk assessment and risk response, which will lead to improved audit quality.

- Strong emphasis on professional scepticism as the use of stronger language such as “question”, “reconsider” and “challenge” being incorporated. This forces the auditor to exercise professional scepticism and challenge outcomes provided by management.
- Introduced separation between inherent risks and control risks for accounting estimates. Emphasis is placed on inherent risks being broader than estimation uncertainty and additional factors should be taken into consideration such as complexity and subjectivity. This approach further emphasises to the auditor that risk assessment is a critical part of an audit.
- Emphasis is placed on the auditors to assess controls relating to accounting estimates as there is a direct link between controls operating effectively and the data and assumptions used in estimating amounts disclosed in the financial statements.

6. Accounting Firms

Alzoman, Alfahad & Alhajjaj Professional Services

ISA 540 is an important ISA standard as it is focusing on critical area(estimates) where most of the uncertainties and potential misstatements in the financial statements occur which severely affect the users of the financial statements

Baker Tilly International (BKTi)

ISA 540 (Revised) has delivered clear benefits in strengthening the audit of accounting estimates, particularly through a more structured and risk-focused approach. There is now increased emphasis on understanding and evaluating internal controls relevant to estimates, as well as enhanced risk assessment procedures. Engagement teams more consistently consider inherent risk factors and control risk when assessing estimates, rather than relying on prior year approaches or materiality thresholds alone. This has led to more robust identification of higher-risk estimates and a more thoughtful assessment of areas involving complexity, subjectivity, and estimation uncertainty.

In practice, this has resulted in audit procedures being more clearly tailored to the assessed level of risk for each estimate, rather than applying standardised or routine procedures. There has also been a noticeable improvement in the quality of documentation, including clearer articulation of the rationale for estimation methods, key assumptions, and data sources. In addition, the standard's focus on management bias has driven increased attention to estimates within the context of fraud risk, with more explicit consideration and documentation of how subjectivity and judgment could give rise to potential bias. Overall, ISA 540 (Revised) has enhanced consistency in application across the network and improved the clarity and transparency of audit judgments in relation to accounting estimates. While the extent of improvement may vary depending on engagement complexity and team experience, the direction of change is positive and aligned with the IAASB's objective of improving audit quality in this area.

BDO International Limited (BDO)

ISA 540 (Revised) is a more robust standard that provides more structure to engagement teams when considering estimates than its predecessor, but its effectiveness depends heavily on the quality of management's supporting documentation. On the positive side, we consider that the revised standard has enhanced audit quality in several areas. It has strengthened risk assessment processes around estimates, including a clearer focus on inherent risk factors such as estimation uncertainty, complexity, and subjectivity. The use of the spectrum of inherent risk supports more effective differentiation between low and high-risk estimates, enabling a more targeted audit response. It has also driven earlier consideration of accounting

estimates in the audit process, a more structured approach to determining the audit response with a greater emphasis on challenging management's methods, assumptions, data, and disclosures. In addition, enhanced documentation requirements have improved transparency and consistency.

Overall, ISA 540 (Revised) provides a stronger audit framework and has contributed to improvements, but it has not fully resolved underlying execution challenges. Its success ultimately depends on how effectively it is applied in practice by both auditors and preparers.

Cristian Emmanuel Munarriz (Practitioner)

Generally speaking, I think the ISA 540 (Revised) has achieved its intended purpose and objectives.

Crowe Solutions for Professional Consultancy

ISA 540 (Revised) has largely achieved the IAASB's objectives by improving audit quality through a stronger risk-based approach, enhanced professional skepticism, and more rigorous auditing of accounting estimates, including complex and judgmental areas.

Dr. Mohamed Al-Amri & Co. (Member Firm to BDO International Limited)

It has provided a more robust challenge approach to performing audits of Estimates.

Ernst & Young Global Limited (EY)

Overall, we believe ISA 540 (Revised) has achieved its intended purpose and the IAASB's intended objectives. While implementation can be challenging, this is not unexpected given the inherent complexity in auditing accounting estimates.

Forvis Mazars Global Limited (Mazars)

For PIE and large/complex entities, we consider that ISA 540 (Revised) has met its objectives as it has driven more granular risk assessments and consideration of the risks linked to estimates. Evidence of professional scepticism and challenge has increased as well, due to the more prescriptive requirements in the new standard.

Grant Thornton International Ltd (GTI)

We believe ISA 540 (Revised) has achieved its intended purpose of establishing more robust requirements and detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures with an emphasis on appropriately exercising professional skepticism.

Specifically, we believe the introduction of inherent risk factors and enhanced risk assessment procedures have had a positive impact on the quality of work performed. As a result of shifting work from the execution phase of the audit to planning and risk assessment, we believe engagement teams obtain a better understanding of the estimates that are in scope for the audit and assess related risks more consistently and more appropriately. We believe this is an improvement over the previous version of

ISA 540 which lacked clarity around the concept of "significant estimates" and frequently resulted in inconsistent application. In contrast, under ISA 540 (Revised), enhanced risk assessment is driving better responses to accounting estimates associated with a risk of material misstatement because engagement teams are tailoring responses to the identified risk, rather than employing a standardized response.

Similarly, we believe the enhanced stand-back requirements have also had a positive impact on the quality of work performed. We heard in outreach amongst our network firms that this requirement has been appropriately used by engagement teams to challenge management's assumptions and evaluate the consistency of evidence obtained.

Finally, we believe the guidance in Appendix 2 related to communications with those charged with governance has facilitated meaningful conversations; as a result, we heard in outreach amongst our network that those charged with governance have been more attentive to matters related to management's estimates.

Housam Halawa (Practitioner)

ISA 540 is an important ISA standard as it is focusing on critical area(estimates) where most of the uncertainties and potential misstatements in the financial statements occur which severely affect the users of the financial statements.

Kia Atlas (Director, RSM)

The standard was very clear especially with the help of flowcharts and diagrams!

KPMG International Limited (KPMG)

In general, we believe that ISA 540 (Revised) has achieved its intended purpose and the objectives of the IAASB in developing the revised standard. We consider that the revisions have been appropriately responsive to the environment, have driven improvements in audit quality, and have enhanced interoperability of the auditing standards with financial reporting frameworks.

In particular, we believe that the enhancements to risk assessment have improved audit quality. We consider that these changes support a more focused and effective risk assessment based on the auditor developing a more robust understanding of the specific drivers of risks of material misstatements in respect of estimates. Accordingly, this facilitates the performance of more targeted further audit procedures to respond to the assessed risks of material misstatement, improving the quality of audit evidence obtained and the robustness of audit conclusions reached. We highlight that this is the case especially in respect of complex estimates that are subject to greater estimation uncertainty.

We also believe that the revisions to the standard drive greater exercise of professional skepticism by auditors in relation to auditing estimates, in particular when evaluating management's judgements and assumptions due to the increased granularity of the risk assessment, which drive the auditor to question and challenge management's judgments with greater specificity, as well as due to the enhancements to the stand-back requirements.

We welcome the increased emphasis on the consideration of matters relating to accounting estimates, in particular, those that are complex and subject to greater estimation uncertainty, when communicating with those charged with governance. We consider that this helps to foster more robust discussions between auditors and those charged with governance, and drive audit quality. We also believe that the enhancements to the standard, in driving a more rigorous risk assessment that is focused on the underlying specific drivers of risks, and more targeted audit procedures to respond to the assessed risks, assists auditors in providing improved transparency in the auditor's report when describing Key Audit Matters in respect of estimates.

Luna Space Financial Company

The standard is useful for improving the quality of accounting estimates in a payments company, particularly for customer provisions, transaction fees, and financial reserves.

PricewaterhouseCoopers International Limited (PwC)

Overall, we consider ISA 540 (Revised) has largely achieved the IAASB's intended purpose of strengthening audit quality in relation to the audit of accounting estimates and related disclosures by driving a risk-based audit approach.

The standard appropriately reflects that accounting estimates vary widely in nature and are inherently affected by estimation uncertainty, complexity and subjectivity, and that these characteristics influence susceptibility to misstatement and therefore the nature and extent of the required audit response.

Qulu Cebizade (Practitioner)

In my opinion, ISA 540 (Revised) has successfully achieved its intended purpose. The standard enhances the auditor's approach to auditing accounting estimates by introducing a more robust, risk-based framework and emphasizing professional skepticism. It provides clearer guidance on identifying and assessing risks of material misstatement, particularly in areas involving significant judgment and estimation uncertainty.

Furthermore, I believe that the IAASB has met its objectives in revising the standard. The revised ISA 540 strengthens the requirements related to understanding the entity and its environment, improves the linkage between risk assessment and audit procedures, and promotes more consistent and high-quality audit practices. It also addresses the increasing complexity of financial reporting by incorporating considerations related to data, models, and assumptions used in making accounting estimates.

Overall, the revised standard contributes to enhancing audit quality and supports auditors in responding effectively to the challenges associated with auditing accounting estimates.

RSM International Limited (RSM)

Notwithstanding this, the absence of identified gaps following the revisions from ISA 315 (Revised 2019) suggests that ISA 540 (Revised) remains appropriately aligned in substance. While the objectives of the standard itself are considered to have been achieved, further enhancements in audit quality are more likely to arise from continued focus on implementation, including training, supervision and the effective use of supporting guidance, rather than from further standard-setting.

We consider that International Standard on Auditing (ISA) 540 (Revised), Auditing Accounting Estimates and Related Disclosures, has achieved its intended purpose and the IAASB's objectives for the standard. In particular, ISA 540 (Revised) establishes sufficiently robust requirements and appropriately detailed application material to support high-quality audits of accounting estimates, including reinforcing the importance of professional scepticism and the design and performance of responsive audit procedures.

Feedback from practice, including regulatory observations in jurisdictions such as the United Kingdom (UK), indicates that identified deficiencies more often relate to the application of the standard rather than to deficiencies in the standard itself. This is consistent with broader themes in audit quality, where effective and consistent implementation remains a recurring challenge. Accordingly, we consider the content of ISA 540 (Revised) to be fit for purpose, with the necessary requirements and application material to support auditors in addressing estimation uncertainty and related disclosures.

Sultan Ahmed Alshubaily CPA (Practitioner)

Overall, the standard is widely viewed as a significant improvement, but its success is qualified rather than absolute, with both clear achievements and ongoing challenges in practice.

Wing Tam (Principal, Forvis Mazar)

ISA 540 (Revised) did apply the framework of auditing to obtain the understanding on how the management prepare the Accounting Estimate ("AE"), the internal control surrounding the AE , risk assessment on AE and how to perform the audit procedures to respond to the risk identified under AE.

7. Professional Accountancy Organizations

Accountancy Europe (AE)

Accountancy Europe considers that ISA 540 (Revised) has broadly achieved its intended purpose of enhancing the audit of accounting estimates.

Overall, while ISA 540 (Revised) has led to clear improvements in the audit of accounting estimates, feedback suggests that further consideration should be given to the scalability, proportionality and practical application of certain requirements. At the same time, stakeholders identified several critical implementation challenges and areas where further support may be beneficial and consideration of changes to the requirements in the standard may be necessary.

Accompanying this survey response, please also find the cover letter highlighting the key points and observations raised by Accountancy Europe members in relation to the post-implementation review of ISA 540 (Revised). Link: <https://accountancyeurope.eu/consultation-response/post-implementation-review-survey-isa-540/>

We believe that the revised standard has contributed to improved audit quality, through:

- increased focus on risk assessment and inherent risk factors,
- a more robust understanding of management's methods, assumptions and data,
- stronger challenge of management, and
- greater focus on estimation uncertainty and related disclosures,
- clarification of procedures to audit estimates
- clearer and more structured audit documentation.

The standard has also driven more structured and formalised processes on the part of management and has supported more structured internal approaches within audit firms.

Association of Chartered Certified Accountants (ACCA)

ISA 540 (Revised) has largely achieved its intended purpose of enhancing audit quality in relation to accounting estimates and related disclosures. Feedback from stakeholders indicates a clear increase in audit focus on accounting estimates, resulting in a more robust understanding by auditors of management's processes, including the methods, assumptions and data used in developing estimates. This increased scrutiny has, in turn, encouraged management to formalise and strengthen its own estimation processes and supporting documentation.

Overall, we consider that ISA 540 (Revised) has strengthened the audit of accounting estimates and promoted a more sceptical, structured and evidence-based approach. While certain implementation challenges remain, particularly in relation to complex estimates and evolving financial reporting requirements, these do not detract from the significant improvements in audit quality and financial reporting practices that have resulted from the implementation of the revised standard.

The revised standard has contributed to greater auditor attention to estimation uncertainty, the reasonableness of assumptions and data, and the adequacy of related disclosures. Auditors are increasingly focused on understanding and testing management's processes and controls, as well as evaluating the support for point estimates. The enhanced requirements have also fostered more structured and consistent audit approaches, supported stronger documentation practices, and reinforced the exercise of professional scepticism. Increased interactions between auditors, management and those charged with governance have led to more robust challenge and dialogue regarding accounting estimates and the processes used to develop them.

Stakeholders also noted positive effects on financial reporting quality. Management is placing greater emphasis on developing well-supported estimates, addressing estimation uncertainty, and providing appropriate disclosures. The increased use of management experts in complex areas further reflects the growing sophistication of estimation processes.

Chartered Accountants Australia and New Zealand (CAANZ)

We believe that ISA 540 (Revised) has achieved its purpose and objectives. However some challenges still exist.

CPA Australia

Overall, we consider that ISA 540 (Revised) has largely achieved its intended purpose and the IAASB's objectives in developing the revised standard.

The revised standard has sharpened the focus on accounting estimates and related disclosures, promoted a more structured and risk-based audit approach, and reinforced the importance of professional scepticism in areas involving complexity, subjectivity and estimation uncertainty.

It has also improved auditor attention to management's methods, assumptions and data, and strengthened the overall evaluation of whether estimates and related disclosures are reasonable under the applicable financial reporting framework.

European Federation of Accountants and Auditors for SMEs (EFAA)

EFAA believes that ISA 540 (Revised) has broadly achieved its intended purpose and the IAASB's objectives in developing the revised standard. In particular, the standard has strengthened the audit of accounting estimates and related disclosures by providing a more robust risk-based framework, enhancing the focus on professional skepticism, and promoting a more structured approach to identifying and responding to estimation uncertainty. These improvements have contributed to audit quality and greater consistency in the auditing of accounting estimates across jurisdictions.

From the perspective of small and medium-sized practices (SMPs), the revised standard has generally been successful in clarifying auditors' responsibilities and encouraging more rigorous consideration of the inherent risk factors associated with accounting estimates. The emphasis on scalability has also enabled the standard to be applied to a broad range of entities and engagements, including less complex entities.

Ibracon - Brazil Institute of Independent Auditors

Yes, in our view ISA 540 (Revised) has achieved its intended purpose by enhancing requirements for auditing accounting estimates, specially by establishing specific requirements for identifying and assessing risks of material misstatements resulting from method, assumptions and data within the entity's developed model.

Institute of Certified Public Accountants of Kenya (ICPAK)

Largely it has achieved its intended purpose, particularly in strengthening the auditor's approach to accounting estimates in increasingly complex and judgemental financial reporting environments. This is through modernising audit requirements, improving risk assessment, and enhancing professional skepticism.

Institute of Certified Public Accountants of Uganda (ICPAU)

Overall, we believe that ISA 540 (Revised) led to increased exercise of professional skepticism during the consideration of risks of material misstatement related to accounting estimates. The standard has forced auditors to seek to understand internal controls and how they influence accounting estimates.

Institute of Chartered Accountants in England and Wales (ICAEW)

We believe that the IAASB's revisions to ISA 540 have enhanced audit quality in relation to accounting estimates by driving:

- a greater emphasis on risk assessment, and a risk-based approach to accounting estimates (AEs), including the auditor's consideration of inherent risk factors
- a more robust understanding of management's processes and controls
- enhanced professional judgement and scepticism
- clarity around the audit documentation required.

However, our responses to the following questions highlight challenges that auditors encounter when applying the revised standard in practice.

Institute of Chartered Accountants of Ghana

ISA 540 (Revised) has achieved its objectives. In Ghana, the globally represented audit firms have implemented the standard in detail. Small and medium firms (SMEs) have not fully implemented it due to a lack of requisite training for their staff and capacity.

Yes, the Revised standard ISA 540 has largely achieved its objectives and intended purposes in assessing variables relating to estimates like depreciation, revenues, etc. The bigger firms are using the standard effectively, however, smaller firms are unable to apply the standard as it should be.

Institute of Singapore Chartered Accountants (ISCA)

We believe the standard has achieved its intended purpose.

Instituto Nacional de Contadores Públicos de Colombia (INCP)

Yes, particularly for professionals working in audit firms that maintain stronger controls over compliance with methodologies based on international standards. The requirements are significantly more robust and

promote more rigorous documentation and professional skepticism, resulting in better audit documentation to support the reasonableness of accounting estimates.

It should be noted that ISA 540 (Revised) has not yet been formally adopted in Colombia and, therefore, has not been widely applied by all professionals. Multinational audit firms have adopted the standard early because they are required to comply with international methodologies and guidance

International Federation of Accountants (IFAC)

Overall, IFAC considers ISA 540 (Revised) to be a helpful improvement over the previous standard and to have strengthened the audit approach to accounting estimates and related disclosures. In IFAC's view, the revised standard has improved the auditor's focus on the nature of accounting estimates, including estimation uncertainty, complexity, subjectivity and other inherent risk factors, and has reinforced a more risk-based approach to audit work.

Malaysian Institute of Accountants (MIA Malaysia)

We are of the view that ISA 540 (Revised) has generally met its objectives by enhancing audit quality in relation to accounting estimates and related disclosures. The revised standard provides a robust guidance and emphasizes the importance of professional skepticism, risk assessment, and the evaluation of audit evidence.

Malta Institute of Accountants (MIA Malta)

ISA 540 (Revised) has largely achieved its intended purpose, particularly for more complex accounting estimates, by sharpening the auditor's focus on methods/models, assumptions and data, and by driving a more disciplined, risk-based approach, enhanced professional scepticism, and stronger attention to disclosures in areas of significant judgment and estimation uncertainty. Overall, the standard is directionally successful and has contributed to improved audit quality and a more structured audit approach.

Nordic Federation of Public Accountants (NRF))

Overall, NRF considers that ISA 540 (Revised) has contributed to a more structured approach to auditing accounting estimates. In NRF's view, the revised standard has increased focus on risk assessment, management's assumptions and data, estimation uncertainty, and audit documentation.

Pan African Federation of Accountants (PAFA)

ISA 540 (Revised) has generally achieved its intended objectives, with observable improvements in professional scepticism, audit quality, and disclosures. At the same time, there are contexts where the standard is perceived as complex and abstract, creating barriers to effective application. The Board should consider how accessibility can be enhanced, particularly in jurisdictions with limited resources and translation challenges.

The Malaysian Institute of Certified Public Accountants

We are of view that ISA 540 (Revised) has generally met its objectives by enhancing audit quality in relation to accounting estimates and related disclosures. The revised standard provides a robust guidance and emphasizes the importance of professional skepticism, risk assessment, and the evaluation of audit evidence.

Virgina Society of CPAs Audit and Accounting Committee

Intent and purposes were substantially achieved.

8. Others

EITMED

Overall, we believe ISA 540 (Revised) has largely met its intended purpose by enhancing audit quality through more robust requirements, clearer guidance, and stronger emphasis on professional skepticism in relation to accounting estimates and related disclosures. The non-authoritative implementation materials issued by the IAASB have also been helpful in supporting adoption and practical application. However, as the IAASB's post-implementation review indicates, continued monitoring remains important to address any challenges in consistent understanding and implementation.

Saudi Awwal Bank (SAB)

ISA 540 (Revised) has largely achieved its intended purpose and the objectives because it enhance audit quality by reinforcing audit rigor, skepticism and documentation around accounting estimates especially in banking sectors however the inherent uncertainty and potential bias cannot be completely overcome.

B. Issues or Challenges Related to ISA 540 (Revised)

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

While IFIAR supports the objectives of the PIR, we have chosen to provide our input in the form of this letter rather than responding strictly through the prescribed survey format. Based on our collective inspection experience, we found it challenging to rate and link specific challenges to individual survey questions in a way that would faithfully reflect the nature and context of the issues identified. Many of the challenges observed are interrelated, arise across multiple requirements, and are best addressed holistically.

However, clearer requirements have not consistently resulted in robust audit execution in practice. Inspection findings indicate that challenges persist in the audit of accounting estimates, particularly in areas requiring significant professional judgment. This is confirmed by IFIAR survey results where auditing accounting estimates continues to be the area with the highest level of inspection findings. IFIAR encourages the IAASB to perform further analysis to determine whether targeted revisions to standards, additional application material or guidance would support more consistent execution in the audit of accounting estimates. IFIAR notes that firm level systems of quality management underpin consistent audit quality outcomes in the audit of accounting estimates. Risk assessment procedures and appropriate challenge of management are supported by effective resource management, consultation processes, monitoring activities and access to specialist expertise. Additional guidance and examples on how to address auditing estimates when developing and implementing a system of quality management could be helpful to firms, particularly in identifying quality risks and responses.

2. Users of Financial Statements

Credicorp Ltd.

We see the auditor making more questions and even more own calculations than the IAS39.

Gulf international Bank KSA

However, the standard has also introduced more complexity and audit effort that resulted in increased audit timelines.

Kei Tsuchiya (The Securities Analyst Association of Japan)

It is difficult for users of financial statements to directly observe whether ISA 540 (Revised) has achieved its intended purpose and the objectives established by the IAASB in developing the revised standard.

However, in Japan, Key Audit Matters (KAM) have been introduced for financial years ending in March 2021 and thereafter, and it is recognized that many KAM include matters related to accounting estimates.

In addition, the introduction of KAM has generally enhanced audit transparency and encouraged disclosures relating to matters selected as KAM, thereby contributing to improvements in the quality of disclosures.

In this context, it is considered that, through the combined effect with KAM, both the quality of accounting estimates and related disclosures, as well as the quality of auditing in this area, have improved.

Rasid Payments Company

IAASB Objectives in Developing ISA 540 (Revised)

The International Auditing and Assurance Standards Board (IAASB) revised ISA 540 to address the evolution of financial reporting frameworks and complex accounting estimates (like expected credit losses under IFRS 9 and lease accounting under IFRS 16). The core objectives included:

- Enhancing Professional Skepticism: Driving auditors to challenge management's assumptions and look for potential bias.
- Refining Risk Assessment: Requiring a more granular assessment of inherent risk factors like complexity, subjectivity, and estimation uncertainty.
- Fostering Scalability: Designing a standard applicable to entities of all sizes, from small businesses to complex financial institutions.
- Improving Transparency: Enhancing the disclosures surrounding estimation uncertainty and management's valuation models.

3. Preparers or Issuers of Financial Statements, Including TCWG

Banque Saudi Fransi (BSF)

We believe the subjective nature of accounting estimates and the complexity of the business environment, in spite of the existence of robust financial reporting standards (IFRS), contain inherent risks that auditors would need to address in their audit activities in order to gain comfort in the adequacy of their procedures and to arrive at their opinion. ISA 540 presents auditors with the appropriate framework to address inherent risks such as subjectivity, estimation uncertainty, and business complexity in their procedures over the estimates themselves and their related disclosures in the financial statements

4. Regulators and Audit and Assurance Oversight Bodies

Botswana Accountancy Oversight Authority (BAOA)

However, the standard continues to present steep application challenges regarding scalability for less complex entities (SMEs) as it requires extensive documentation even for simple accounting estimates. Non-authoritative guidance could be developed to assist auditors in scaling down documentation requirements to avoid unnecessary documentation which may overshadow the necessary qualitative assessment.

Canadian Public Accountability Board (CPAB)

Role of Systems of Quality Management (SQM)

A firm's system of quality management (SQM) plays a critical role in supporting effective implementation of ISA 540 (Revised). CPAB's inspections continue to observe a strong correlation between robust firm-level quality management and more consistent audit quality outcomes, particularly in areas requiring significant professional judgment such as accounting estimates.

Effective SQMs - through appropriate resourcing, consultation, monitoring, and access to specialized expertise - can significantly enhance engagement teams' ability to appropriately assess risks, challenge management, and respond to complex estimation issues. The development of practical scalable guidance that reinforces the linkage between consistent execution of high-quality audits and the requirements of ISQM 1, Quality Management for firms that perform audits or reviews of financial statements, or other assurance or related service engagements, will be critical to support firms, particularly smaller firms.

However, the complexity of audits—particularly in areas involving accounting estimates—is evolving rapidly, and our inspection experience indicates that some auditors face challenges in applying the standards. Based on CPAB inspections, we have observed that the challenges in auditing accounting estimates can be more pronounced at smaller audit firms with more limited resources. These challenges are often compounded in audits of smaller entities, where management may have limited resources or expertise, and therefore may not have adequately identified or addressed the level of estimation uncertainty associated with complex estimates. Addressing these issues will require continued and enhanced collaboration among standard setters, regulators, audit firms, and other participants in the audit ecosystem, alongside targeted non-authoritative guidance that provides additional support to smaller firms who may be more likely to audit smaller entities with less established internal controls over financial reporting.

Independent Regulatory Board for Auditors (IRBA)

However, practical challenges remain, particularly in relation to retrospective reviews, the application of professional scepticism, the use of experts, the development of auditor ranges, and the documentation of audit work. In our view, these challenges arise mainly from difficulties in applying the standard consistently in practice, rather than from deficiencies in the requirements themselves.

Our inspection observations reinforce this view. Recurring findings indicate that the primary challenge is not the standard, but its consistent application in practice, particularly in operationalising the requirements relating to methods, assumptions and data, and in obtaining and documenting sufficient appropriate audit evidence to support conclusions on accounting estimates.

Lesotho Institute of Accountants

While implementation has increased audit effort, documentation requirements, and the need for specialised skills or expertise, these challenges are generally considered a necessary trade-off to achieve higher-quality audits. Overall, the effectiveness of ISA 540 (Revised) depends on its consistent and disciplined application by auditors, but it has substantially met its intended objectives.

Saudi Central Bank (SAMA)

However, smaller audit firms continue to face practical challenges in applying the inherent risk factor requirements, suggesting the need for more accessible implementation guidance tailored to different firm sizes and sectors

UK Financial Reporting Council (UK FRC)

The FRC would also note that practitioners have repeatedly noted some difficulty in applying ISA 540 (Revised) to less complex accounting estimates, especially within the context of small- and medium-sized companies. The IAASB should consider what further could be done to support scalable and proportionate application of this standard.

5. Jurisdictional and Other Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASB)

- Improved audit documentation: Several respondents indicated that the primary impact of the revisions was increased, and higher quality, audit documentation. However, these same respondents felt that despite the improvements in engagement documentation, there were limited enhancements to the performance and quality of the identification and assessment of risks and related response procedures;
- Inappropriate application: Regulators have indicated that the revised standard does foster audit quality however, in many cases, the requirements are not being applied properly, thereby not improving audit quality; and
- Restatements' root cause: Regulators continue to see restatements arising from in accounting estimates.

However, it can be difficult to determine whether the root cause is:

- The entity's misapplication of the applicable financial reporting requirements related to accounting estimates;
- The auditor's failure to determine that the accounting estimate is not reasonable in the context of the applicable financial reporting; or
- The auditor's misapplication of the requirements in ISA 540 (Revised).

Additional feedback received from the parties we engaged with on overall impacts of ISA 540 (Revised):

- Practice risk management issues, including:
 - o Recoverability of the "extra" work-effort: Enhanced requirements for auditing estimates require additional information and effort from both auditors and management, increasing time demands that are not always recoverable through audit fees; and
 - o Circumventing the requirements by modifying the auditor's opinion: Some auditors have responded by defaulting to "except for" qualified opinions that effectively scope out accounting estimates, as a means of avoiding the more demanding aspects of the ISA requirements.
- Mixed views as to whether the revisions have fostered audit quality.

Hong Kong Institute of Certified Public Accountants (HKICPA)

However, they also noted that the extent of these benefits in practice varies depending on the nature and complexity of the engagement, and that challenges remain in achieving scalable application, particularly in relation to the extent of work required and the related audit documentation in different situations.

Institut der Wirtschaftsprüfer (IDW)

The subsequent issue of ISA 315 (Revised 2019) has led to challenges post-implementation and the opportunity to streamline the standard so that it integrates with ISA 315 (Revised 2019) more effectively.

Instituto Mexicano de Contadores Públicos (IMCP)

Nonetheless, we recognize that challenges have been faced and continue to be present in practice for both, the auditor and management of the entities. We also highlight that changes may be needed going forward as technology developments and other factors such as AI could evolve and affect the way estimates are prepared, recognized and disclosed in the financial information.

Scalability continues to be point for consideration regardless of the size & industry of the entity and the LCE standard available for jurisdictions to be implemented / applied. We also keep in mind that ongoing current projects such as the revisions of ISA 330 and ISA 500 may derive consequential amendments to ISA 540 revised in order to aligned final requirements and application materials once the exposure draft period and final approval have been achieved.

New Zealand Auditing and Assurance Standards Board of the External Reporting Board

AUDIT FOCUS HAS IMPROVED, BUT PRACTICAL CHALLENGES REMAIN

There has been improved audit focus related to accounting estimates. In particular, auditors appear to place greater emphasis on risk assessment, documentation, and the application of professional scepticism. We also heard that adoption of the revised ISA (NZ) 540 has been relatively smooth.

However, recurring inspection findings and increasing complexity indicate that challenges remain particularly in regards to documentation.

The Financial Markets Authority (FMA), the audit regulator of Financial Market Conduct entities in New Zealand, continues to highlight the audit of accounting estimates as an area for continuous improvement. Recurring findings relate to documentation and the sufficiency of audit evidence, the need to assess the integrity of the significant assumptions and to test data used in complex models. There are also ongoing findings related to using an auditor's expert to audit an estimate. It is not clear whether these challenges arise from the standard itself or from implementation in practice, or a combination of both, nor whether challenges will be better addressed through case studies.

We also note that complexity continues to increase. Accordingly, our response focusses on whether the standard remains fit for purpose in the current context and highlights ongoing challenges in practice, rather than only on whether the revision met the objectives of the project that were established years ago.

Royal Netherlands Institute of Chartered Accountants (NBA)

In general, the revised Standard is a substantial improvement compared to the previous ISA 540. However it is quite extensive for "straight forward" estimates: some detailed steps have to be taken before it can be concluded that there is limited work for a simple estimate. We propose extension of the scalability.

Link to ISA 500 – audit evidence, which procedures you have to perform regarding estimates for assumptions considering the future. Please note that some elements are inherent uncertain; it is unclear how extensive the procedures have to be for substantiation and documentation in the audit file.

It is difficult to challenge management since they have much more knowledge than the auditor.

South Africa Institute of Chartered Accountants (SAICA)

It was further noted that professional scepticism is relative from one auditor to another and perhaps in future more consideration should be given to this as part of the enhancements to the professional scepticism guidance.

In the audits of public entities such as government structures or state owned entities, it has been noted that interactions and communications between the auditor and management and those charged with governance related to the audit of accounting estimates has not improved from a management perspective. Enhancements to the IAASB guidance that considers the public sector environment would be beneficial in this regard. SAICA, however, acknowledges that the actual preparation of accounting estimates is the responsibility of the preparers and not necessarily addressed in the auditing standards.

Overall Improvement areas

Guidance should be considered on the testing approach that should be used for different forms of risks identified as practicality challenges have been identified in practice, with specific reference to instances where comparability estimates cannot be found in the market.

ISA 315 (Revised 2019) was subsequently published after ISA 540 (Revised). The IAASB should look to guidance to assist in the integration of these two important standards. It is our view that this does not necessarily mean that either standard should be revised but non-authoritative guidance or narrow scope amendments in this regard could be pursued for effective integration of the standards.

The application material seems to be tailored towards complex estimates and this results in Small and Medium Practices (SMPs) following a tick box exercise with the procedures stated by ISA 540 (Revised) and inconsistent and in our view, unintended application of the standard. The SMPs, by virtue of the non-complex small and medium entities (SMEs) they may be auditing, are often exposed to non-complex estimates within an informal control environment. The manner in which the standard is currently written could result in over-auditing in this less complex environment as the application of the current requirements could be disproportionate to the risk profiles of these entities. However, in order to show application of the standards and in particular, to regulators, SAICA is of the view that guidance on the scalability of the standard could be of value to avoid this situation.

6. Accounting Firms

BDO International Limited (BDO)

A key theme across perspectives is that audit quality issues are not primarily driven by deficiencies in the standard itself, but by implementation challenges. These include inconsistent application by engagement teams and, importantly, limitations in the quality of estimates prepared by management, which are not always sufficiently robust or auditable. While the broader financial reporting environment continues to evolve, the fundamental nature of accounting estimates remains unchanged, and many difficulties arise from differences in interpretation and execution across stakeholders.

However, the extent of these improvements has been uneven, and practical challenges remain. In particular, the standard introduces greater complexity and increased documentation requirements, making it difficult to apply proportionately, especially for less complex estimates. Auditors also face challenges in integrating the requirements with ISA 315, ensuring consistent application, and effectively using specialists where needed.

Crowe Solutions for Professional Consultancy

While implementation has increased documentation and effort, and may present challenges when auditing smaller clients, overall we view the revised standard as successful and beneficial.

Deloitte Touche Tohmatsu Limited (DTTL)

Overall, ISA 540 (Revised) has achieved its intended purpose; however, we believe the standard is most relevant when the estimation uncertainty, complexity or subjectivity are high.

ELVI Audit FINANS LLC

We think it has achieved its purpose enough but it can improve more

Ernst & Young Global Limited (EY)

Also, we acknowledge that the IAASB is currently revising ISA 330, The Auditor's Responses to Assessed Risks, ISA 500, Audit Evidence, and ISA 520, Analytical Procedures. These standards provide important context for ISA 540 (Revised) and the audit of accounting estimates. In particular, the revisions to ISA 330 and ISA 500 are highly relevant to how auditors evaluate the relevance and reliability of internal and external information used by management in developing an accounting estimate and how auditors design and perform further audit procedures to respond to assessed risks of material misstatement related to accounting estimates. Accordingly, we encourage the IAASB to explicitly consider the interoperability of Proposed Revised ISA 330/ISA 500/ISA 520 with ISA 540 (Revised), including the findings from this post implementation review, to ensure the requirements and application material operate cohesively in practice.

Forvis Mazars Global Limited (Mazars)

The standard is, however, not considered to be appropriately scalable for less complex entities. In these instances teams have spent a disproportionate amount of team complying with the requirements of the standard, without adding value to the overall audit approach.

Luna Space Financial Company

Clarifying related risk assessment procedures would further support consistent implementation.

PricewaterhouseCoopers International Limited (PwC)

We note, however, that alongside the feedback from respondents to the specific historical implementation questions set out in this PIR, it is important for the Board to also evaluate the impact of emerging technologies, including AI, on how entities prepare accounting estimates and how auditors may design and perform audit procedures over such estimates developed using emerging technologies, to ensure ISA 540 (Revised) remains fit for purpose. We note that ISA 540 (Revised) does not currently feature on the IAASB's Technology Catalog and recommend that this be incorporated as part of the ongoing consideration of standards that may be impacted by technological impacts.

RSM International Limited (RSM)

We note, however, that the timing and sequencing of ISA 540 (Revised) relative to ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, gave rise to some practical challenges. In particular, issuing the standards separately may have contributed to a perception that auditing accounting estimates is a discrete exercise, rather than an integral component of the auditor's risk assessment. Given that accounting estimates are inherently linked to inherent risk factors and the identification and assessment of risks of material misstatement, a more closely aligned or concurrent development of these standards may have better reinforced their conceptual interrelationship.

7. Professional Accountancy Organizations

Accountancy Europe (AE)

Further concerns were raised regarding the potential for auditors to be perceived as taking on a management role when supporting the development of accounting estimates, as well as the risk that the standard may lead to the use of specialists in more situations than necessary.

However, we also highlighted a number of important challenges in practice. Some aspects of the standard are overly prescriptive and not sufficiently scalable, especially for simple estimates where estimation uncertainty is low. In such cases, auditors may perform procedures that go beyond what is necessary or proportionate.

In addition, certain areas remain difficult to apply in practice, including developing an auditor's point estimate or range, determining how tight such ranges should be, and understanding and testing complex models and data. Applying professional scepticism appropriately also remains a broader challenge particularly with AI models and their black box nature.

Members also noted complexity and duplication arising from the interaction between ISA 540 (Revised) and ISA 315 (Revised 2019), particularly in relation to risk assessment and documentation. This can result in inefficiencies and disproportionate documentation.

Association of Chartered Certified Accountants (ACCA)

At the same time, some areas continue to present practical challenges. These include understanding and testing increasingly complex models, assessing evolving accounting requirements, developing and supporting auditor point estimates or ranges, identifying contradictory audit evidence, and evaluating management's selection of methods, assumptions and data. The growing complexity of financial reporting requirements, including in areas such as expected credit losses and emerging asset classes, has increased the level of judgment required in applying the standard. There has also been greater reliance on auditor specialists to support the audit of complex estimates.

Chartered Accountants Australia and New Zealand (CAANZ)

This does not necessarily mean that the standard needs to be amended or increase in complexity. If the standard is revised, the aim should be to clarify and simplify, particularly in light of the interaction with ISA 315 (Revised). A number of the challenges identified are in relation to application of the standard rather than deficiencies in the principles and requirements of the standard.

Chartered Accountants Ireland (CAI)

We believe it has achieved but there have been challenges. It assists auditors in challenging management's views.

CPA Australia

We have heard practical challenges remain, particularly in achieving consistent and proportionate application across different firms and engagements. However, in our view, these are mainly implementation and scalability issues rather than problems with the core principles or objectives of the standard.

European Federation of Accountants and Auditors for SMEs (EFAA)

However, EFAA notes that implementation has required a significant investment in training, methodology updates, and documentation processes, particularly for SMPs. In some cases, the standard may be perceived as complex and documentation-intensive relative to the nature and size of the engagement, especially where accounting estimates are straightforward and involve limited estimation uncertainty. As a result, practitioners have occasionally experienced challenges in applying the requirements in a proportionate manner.

Global Accounting Alliance (GAA)

Overall, we believe that ISA 540 (Revised) has achieved its intended purpose.

The subsequent issue of ISA 315 (Revised 2019) has led to challenges post-implementation and therefore there is an opportunity to streamline the standard so that it integrates with ISA 315 (Revised 2019) more effectively.

Institute of Certified Public Accountants of Kenya (ICPAK)

However, implementation experience also suggests that some objectives have been achieved unevenly across firms and jurisdictions, with challenges relating to scalability, documentation burden, and practical application.

Institute of Chartered Accountants in England and Wales (ICAEW)

Scalability for simple estimates

The level of prescription of certain risk assessment requirements can be difficult and inefficient to apply to simple estimates. For example, there is little value, in performing a retrospective review of estimates based on transparent level 1 inputs to fair value measurements.

For simple estimates with low estimation uncertainty, auditors can obtain compelling audit evidence over the related assertions by forming their own independent estimate rather than testing management's processes. However, the auditor is still required under the revised standard to obtain a detailed understanding of management's processes to produce the estimate. In such cases auditors can find themselves performing more work than management. The revised standard also struggles to differentiate between the approach to large, complex financial institutions, for example, and smaller less complex institutions providing the same services.

The revised standard places significant emphasis on the use of experts, potentially leading to unrealistic expectations regarding the extent of their use, as well as overuse, particularly for less complex estimates.

Scalability for highly complex estimates

For estimates with high estimation uncertainty, the auditor's calculated range of reasonable estimates may significantly exceed performance materiality and even overall materiality. Addressing such situations is still presenting a challenge for firms, particularly in the audits of financial institutions.

The use of AI and machine learning in producing complex, forward-looking estimates such as expected credit losses is increasingly prevalent in the financial services sector and the challenges this presents are likely to grow. The 'black box' nature of these processes makes it more difficult for auditors to apply professional scepticism. There is a very real risk that auditing standards will be overtaken by these technologies, which are still treated as simply a means to an end, rather than having a more fundamental impact on what management and auditors do.

Interaction with ISA 315 (Revised)

ISA 540 (Revised) and contains much material from ISA 315 (Revised) that is repeated or summarised, but with little focus or specificity. In practice, this leads to duplication of effort and inefficiency.

International Federation of Accountants (IFAC)

The main implementation challenges relate to consistent and proportionate application of requirements. This is particularly relevant for SMPs and SME audits, where estimates may be relatively simple, management processes informal, and controls limited or not designed to support a controls-based audit approach. In such cases, auditors may perform or document work that is disproportionate to the risk profile of a simple estimate, including detailed work to understand management's process even when the more appropriate response is to develop the auditor's own estimate or perform substantive procedures.

Malta Institute of Accountants (MIA Malta)

In addition, it is increasingly important to consider the impact of emerging technologies, including AI, both in how entities develop accounting estimates and how auditors design and perform audit procedures over such estimates. As these technologies evolve, they may further influence the nature of risk and the auditor's response, and therefore ongoing monitoring is necessary to ensure the standard remains fit for purpose.

However, practical implementation experience indicates ongoing challenges, most notably in achieving appropriate scalability and proportionality for simpler, low-risk estimates, where the effort required may appear misaligned with the underlying risk. Additional complexities arise in the interaction with ISA 315 and ISA 330, the balance between controls and substantive procedures, the involvement of specialists, considerations of management bias, and the operationalisation of documentation and evaluation requirements.

Nordic Federation of Public Accountants (NRF)

Certain aspects of the standard continue to present implementation challenges, particularly in relation to complex models and data, and the development of an auditor's point estimates or ranges. Feedback also suggests that the standard can result in the involvement of specialists in situations where this may not be necessary.

However, practical challenges have been identified in the application of the standard.

Some requirements are perceived as overly prescriptive and insufficiently scalable, particularly in the context of SMPs and SME audits, where accounting estimates are often relatively simple and subject to low

estimation uncertainty. In such circumstances, the extent of audit procedures and documentation frequently exceeds what would be proportionate to the nature and complexity of the estimate.

8. Others

ASK KSA Consulting Inc.

Overall, it achieved its intended purpose however it has caused some challenges for SMPs.

Trust Consulting and Training LLC

Partially reached

C. Suggestions for Course of Actions

4. Regulators and Audit and Assurance Oversight Bodies

Botswana Accountancy Oversight Authority (BAOA)

Additional practical guidance and industry-specific implementation examples would further support consistent application across jurisdictions.

Independent Regulatory Board for Auditors (IRBA)

Implementation, we have also identified certain areas where narrow-scope amendments to ISA 540 (Revised) may be beneficial. While we support the strong call for non-authoritative guidance and illustrative examples to promote more consistent and effective

5. Jurisdictional and Other Standards Setters (JSS)

Hong Kong Institute of Certified Public Accountants (HKICPA)

Additional implementation support and practical guidance would be helpful to promote more consistent and scalable application in practice.

Japanese Institute of Certified Public Accountants (JICPA)

We feel that there is a growing shared understanding between financial statement preparers and auditors regarding matters such as the handling of accounting estimates that are continuously examined every period. On the other hand, regarding the handling of newly identified items involving accounting estimates, there are cases where sufficient written justifications are not available from the financial statement preparers. Consequently, we consider that further promotion of understanding is necessary for financial statement preparers.

6. Accounting Firms

Ernst & Young Global Limited (EY)

We understand the IAASB will be commencing a post-implementation review of ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, later this year. Because of the effects of ISA 315 (Revised 2019) on risk assessment for accounting estimates, the input from that post-implementation review is important for the IAASB to consider before concluding on its post implementation review of ISA 540 (Revised).

7. Professional Accountancy Organizations

European Federation of Accountants and Auditors for SMEs (EFAA)

Overall, EFAA considers ISA 540 (Revised) to be functioning as intended and to have delivered meaningful benefits in terms of audit quality, risk assessment, and auditor skepticism. Nevertheless, further implementation support, practical guidance, illustrative examples, and additional clarification regarding the scalable application of certain requirements would assist SMPs in achieving consistent and efficient implementation. EFAA therefore believes that any future actions by the IAASB should focus primarily on non-authoritative guidance and implementation support rather than fundamental revisions to the standard itself.

Global Accounting Alliance (GAA)

Finally, we believe the IAASB's efforts are a natural opportunity to liaise with global accounting standard setters to understand the post implementation findings of the major changes to accounting standards that also drove the IAASB's efforts to revise ISA 540 (Revised). Such efforts would include understanding stakeholders' views regarding the auditability of standards in major financial reporting frameworks, such as IFRS 9 Financial Instruments and whether the underlying financial reporting framework is complementary and interoperable with ISA 540 (Revised).

Accordingly, we believe aligning the post-implementation review information gathering and analysis activities for ISA 540 (Revised) and ISA 315 (Revised 2019) together would have provided a more fulsome understanding of the intertwining benefits and challenges associated with these standards. At a minimum we urge the IAASB to consider the insights obtained and potential actions to take from this survey and its ongoing ISA 540 (Revised) PIR efforts to be provisional and contingent upon the results of the IAASB's ISA 315 (Revised 2019) activities.

Additionally, we recommend the IAASB take into consideration the timing and findings of other jurisdictions that have adopted ISA 540 (Revised) or its equivalent standard to better assess the feedback received and how much data and insights those jurisdictions are able to provide. This would include any significant differences in the equivalent standards adopted in those jurisdictions and why that occurred.

Institute of Chartered Accountants in England and Wales (ICAEW)

Suggestions

Additional guidance alone will be insufficient to address the significant structural scalability challenges arising from ISA 540 (Revised). We therefore suggest:

- transferring disproportionate requirements (such as para. 14) for less complex estimates with low estimation uncertainty to the application material with additional guidance regarding when that material applies
- adding application material clarifying that if the auditor intends to form their own independent estimate, the depth of understanding required by the auditor of management's processes for producing simpler estimates, is a matter of professional judgment
- reconsidering how the relationship between ISA 540 and ISA 315 can be better articulated to support a more integrated audit approach.

We also suggest that the IAASB considers alternatives to questionnaires to solicit views – particularly when it comes to more complex aspects of auditing such as AEs, and how its ongoing Technology Position initiatives can support auditors faced with auditing highly complex estimates produced using AI.

We are aware of proposals for narrow scope amendments to the standard to exclude low risk and low estimation uncertainty estimates. This has the potential to limit the potential for over-auditing of such estimates. Auditors of less complex audit entities, whose estimates are often low risk, need to work through the application material to determine how to scale the standard which is burdensome and should not be necessary.

International Federation of Accountants (IFAC)

IFAC therefore encourages the IAASB to focus any further action on a narrow scope amendment to reduce the scope of application of the standard, targeted clarification, simplification, and practical implementation support rather than expanding any requirements. Priority areas include scalability for less complex estimates, proportionate documentation, avoiding duplication in the interaction between ISA 540 (Revised) and ISA 315 (Revised 2019), and auditing technology-enabled or AI-supported estimation models, including "black box" models that may make it harder to apply professional judgment and skepticism.

Given the close interrelationship with ISA 315 (Revised 2019), we recommend that the results of this PIR be evaluated in conjunction with the findings of the planned PIR of ISA 315 (Revised 2019).

Malta Institute of Accountants (MIA Malta)

These issues are best addressed through targeted implementation support, clearer guidance, and practical examples, particularly on scalability, rather than through significant redrafting of the standard. Consideration could also be given to formally recognising ISA 540 (Revised) within the IAASB's Technology Catalogue as part of broader efforts to assess the impact of technological developments on auditing standards

Nordic Federation of Public Accountants (NRF)

Overall, feedback suggests that further consideration could be given to scalability, proportionality, the practical implementation of certain requirements as well as opportunities to reduce duplication between ISA 315 (Revised 2019) and ISA 540 (Revised), especially regarding risk assessment and documentation.

NRF notes that interaction and duplication issues observed between ISA 540 (Revised) and ISA 315 (Revised 2019) are likely linked to the sequencing of the revisions, with ISA 540 having been revised prior to ISA 315. To avoid similar challenges arising again and noting that ISA 315 (Revised 2019) will shortly be subject to a post-implementation review, NRF recommends that any further work on ISA 540 be considered in parallel with, and informed by, the feedback from the ISA 315 PIR.

D. No Specific Responses

3. Preparers or Issuers of Financial Statements, Including TCWG

Ahmed Alfaraj

Credit (Digital Financing From Anywhere)

We are not yet in a position to assess this, as our organization has not commenced operations.

Emirates National Bank of Dubai

National Bank of Kuwait, KSA

Nayifat Finance Company

Saudi Real Estate Refinance Company

SNB

STC Bank

6. Accounting Firms

BKR ISIK Consulting (International Auditor Company)

Natiq Əliyev (Practitioner)

Qənaətbəxşdir.

Shamistan Suleyman (Practitioner)

Zamin Huseynov (Director, Crowe LLP)

Question 7A

Do you agree that the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised) are useful?

Significant Themes

- [A. Comments on Current Non-Authoritative Materials](#)
- [B. Suggestions for Non-Authoritative Materials](#)
- [C. No Specific Responses](#)

A. Comments on Current Non-Authoritative Materials

3. Preparers or Issuers of Financial Statements, Including TCWG

Lendo Saudi Arabia for Financing Company

The non-authoritative guidance and support tools developed by the IAASB to support the implementation of ISA 540 (Revised) are useful and have contributed positively to the audit process. The flowcharts, illustrative examples, and presentations provide practical clarity on how the revised standard should be applied, particularly for complex areas such as ECL provisioning, fair value measurements, and other estimation uncertainties.

Madfu BNPL Financing Company

The illustrative examples and flowcharts are particularly helpful for understanding the risk assessment process and the scalability of the standard for different types of accounting estimates.

4. Regulators and Audit and Assurance Oversight Bodies

Botswana Accountancy Oversight Authority (BAOA)

The non-authoritative guidance and implementation support materials developed by the IAASB have been valuable and useful in assisting firms and practitioners with implementation of ISA 540 (Revised). The materials have helped clarify the intended application of key concepts, including the spectrum of inherent risk, retrospective reviews, management bias considerations, the relationship between risk assessment and audit responses and the linkages between ISA 540 (Revised) and other ISAs. The guidance also provides practical explanations and examples on key areas such as identifying and assessing risks of material misstatement, selecting appropriate audit responses, evaluating estimation uncertainty, developing auditor point estimates or ranges, and identifying indicators of management bias. This is especially valuable for audits involving complex estimates. The materials are also helpful for training purposes and for smaller and medium-sized audit firms that may not have extensive in-house technical resources.

Chamber of Auditors of Azerbaijan Republic

We have prepared a commentary on the correct application of the standard and posted it on the official website of the Chamber of Auditors.

Chamber of Auditors of the Czech Republic

These materials appear to be helpful for auditors in the practical application of the standard. In particular, the "Illustrative Examples" are a valuable resource and can be very helpful for practitioners in understanding and applying the requirements of the standard in practice.

Independent Regulatory Board for Auditors (IRBA)

Auditors highlighted ISA 540 (Revised) Implementation: Illustrative Examples for Auditing Simple and Complex Accounting Estimates | IAASB.

Lesotho Institute of Accountants

Overall, the non-authoritative guidance and support tools developed for ISA 540 (Revised) have been very useful in facilitating its implementation. They have enhanced auditors' understanding and application of the standard's requirements, particularly in areas such as risk assessment, estimation uncertainty, professional skepticism, and the evaluation of management bias. In addition, they have promoted more consistent and proportionate audit approaches by providing practical examples, implementation guidance, and training resources. Although these tools cannot replace professional judgment or technical expertise, they have helped reduce implementation challenges and supported improved audit quality.

Saudi Central Bank (SAMA)

The non-authoritative guidance materials are generally useful, particularly the flowcharts and illustrative examples. However, more sector-specific examples for regulated industries such as insurance and investment funds would further enhance their practical value.

5. Jurisdictional and Other Standards Setters (JSS)

Group of Latin American Accounting Standards Setters (GLASS)

We find flowcharts and diagrams useful.

Royal Netherlands Institute of Chartered Accountants (NBA)

We are unsure about whether auditors / audit firms are sufficiently aware of the available guidance.

South Africa Institute of Chartered Accountants (SAICA)

Non-authoritative guidance and support material help auditors apply the standard more consistently, practically and effectively in real audits.

They are useful in the following ways:

- Help auditors understand complex requirements
- Improve Audit Quality and Consistency
- Enhance Professional Scepticism
- Encouragement of use of experts and technology
- Support for risk assessments
- The use of flow charts enhances the understandability of guidance. - Illustrative examples were helpful in auditing a simple versus complex estimates.

This is evident in the flow diagrams that are provided by IAASB for implementation guidance. Illustrative examples for expected credit losses and the concept of scalability through the implementation illustrative examples on the concept of simple and complex accounting estimates could add value in assisting small and medium practices that do not deal with complex accounting estimates.

Audit client briefing

Considerations for management when determining accounting estimates and disclosures published by IAASB to assist audit clients to anticipate what auditors will require for performing risk assessment and audit testing on accounting estimates.

Further targeted development of such guidance materials, especially in relation to scalability, practical application for simpler estimates, and integration with other standards, would provide additional value and help address ongoing implementation challenges.

6. Accounting Firms

Baker Tilly International (BKTi)

The non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised) have generally been useful in facilitating understanding and practical application of the standard. Materials such as illustrative examples, flowcharts, and implementation tools have helped translate the principles-based requirements into more actionable approaches, particularly in demonstrating how the standard can be applied to both simple and complex accounting estimates. These tools have also supported the global office and firms in developing internal methodologies and training programmes,

particularly by providing practical insights, examples, and "what, why, and how" considerations for key aspects of the standard. However, while the guidance is helpful, its effectiveness can vary depending on the complexity of engagements and the experience of audit teams. In particular, further practical examples and guidance on scalability and application in less complex environments would enhance consistency and ease of implementation across the network.

Cristian Emmanuel Munariz (Practitioner)

I think the flowcharts and diagrams are useful, but I am not sure the illustrative examples for simple estimates are entirely useful, as I think it is not practical to have documentation at the same level of detail of that illustrative example in every single "simple" estimate in the financial statements, as estimates exist in most financial statement elements other than cash, especially for audits of SMEs

Ernst & Young Global Limited (EY)

The non-authoritative implementation materials issued to support ISA 540 (Revised)—in particular, the flowcharts and illustrative examples—are helpful in clarifying expectations for applying the standard. For complex estimates, we found the examples (i.e., expected credit losses and provision on property, plant and equipment impairment) to be contextually grounded and relatable, demonstrating how the requirements may be applied in practice. For the example that addresses a simple

accounting estimate (i.e., provision on inventory impairment), we believe this example demonstrates the scalability challenges with the standard (e.g., the example does not address all requirements of the standard and is 14 pages in length). Refer to further comments in our response in Section V (A. Scalability and Proportionality).

Grant Thornton International Ltd (GTI)

The non-authoritative guidance and other tools were not widely used as part of implementation efforts across our network. The examples provided in the non-authoritative guidance were too simplistic and did not address areas where engagement teams commonly struggle. As a result, we developed our own guidance, both globally and locally, to illustrate areas that might have either lower risk or higher risk depending on the facts and circumstances. We also leveraged guidance from jurisdictional standard setters, such as CPA Canada.

KPMG International Limited (KPMG)

We consider the non-authoritative guidance and related tools to be very helpful in supporting implementation of the revised standard, in particular, the Simple and Complex Illustrative Examples, which compare and contrast in detail the auditor's understanding and approach and how this may be scaled in a way that is proportionate to the complexity of the particular estimate, and the Expected Credit Losses Illustrative Examples, which provide helpful guidance in auditing such complex estimates. We recommend, in our response to Question 13, that a further example in respect of a less complex estimate be developed, to better support auditors in scaling the requirements of the standard in a proportionate manner.

PricewaterhouseCoopers International Limited (PwC)

The non-authoritative materials provide meaningful guidance by illustrating the application of the intended risk based approach and how to tailor responses appropriately to the assessed risks of material misstatement, as well as the intended scalability of the requirements when applied to simple through to more complex estimates. Such materials also help support consistent implementation, especially during first-time adoption and training.

RSM International Limited (RSM)

We have made use of the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised), including those available on the IAASB implementation webpage.

These resources are useful and make a meaningful contribution to supporting consistent and effective implementation of the standard. In particular, the illustrative examples, including those contrasting simpler and more complex accounting estimates, are considered robust and well aligned to the requirements and application material within the standard. These examples provide practical insight into how the nature, timing and extent of audit procedures may vary with the complexity and estimation uncertainty, thereby reinforcing the intended scalability of the standard. The flowcharts and other visual tools have also been helpful in clarifying key concepts and supporting auditors in navigating the requirements in a structured manner. The materials represent a valuable complement to the standard and demonstrate the benefits of providing practical, implementation-focused support alongside principles-based requirements.

7. Professional Accountancy Organizations

Accountancy Europe (AE)

Accountancy Europe is aware that non-authoritative guidance and implementation support materials have been developed to support the application of ISA 540 (Revised). However, based on feedback from our members, the practical challenges identified in applying the standard suggest that such materials have not fully addressed certain areas of difficulty. There are challenges in areas such as: • developing auditor point estimates or ranges, • determining the appropriate level of work for simple versus complex estimates (scalability), • understanding and testing complex models and data, • obtaining an independent expert review in some sector industries and • applying the requirements in conjunction with ISA 315 (Revised 2019).

Association of Chartered Certified Accountants (ACCA)

We agree that the non-authoritative guidance and support materials developed to support the implementation of ISA 540 (Revised) are useful and have assisted practitioners in understanding and applying the standard more consistently. In particular, practical resources such as implementation guidance, flowcharts and illustrative examples can help auditors navigate complex requirements and support effective application of professional judgement.

CPA Australia

We agree that the non-authoritative guidance and support tools are useful. Materials such as flowcharts, diagrams and illustrative examples help explain the structure and intent of the standard and support more consistent application in practice. However, outreach suggests that awareness and use of these materials is uneven, particularly among smaller and medium-sized practices and firms without dedicated technical resources. For many practitioners, the main issue is not usefulness, but visibility and accessibility. To improve impact, the IAASB could: • centralise all implementation resources in one easily accessible location, similar approach to the IASB or IFRS Foundation where all the non-authoritative guidance and support tools are hosted in one central webpage [<https://www.ifrs.org/supporting-implementation/supporting-materials-by-ifrs-standards/>]; and • re-promote these implementation material. These steps would improve both accessibility and practical usefulness.

European Federation of Accountants and Auditors for SMEs (EFAA)

EFAA agrees that the non-authoritative guidance and support tools developed by the IAASB have been useful in supporting the implementation of ISA 540 (Revised), particularly by helping practitioners understand and apply the revised requirements. The materials have been especially valuable for SMPs during the transition to the new standard. However, additional practical examples and guidance on the

scalable application of the standard for less complex entities would further support consistent and proportionate implementation. EFAA is also uncertain whether all auditors and audit firms are sufficiently aware of the available guidance and support materials.

Ibracon - Brazil Institute of Independent Auditors

In our view, non-authoritative guidance and support tools are useful for practitioners and have contributed to a consistent adoption and implementation of the revised standard.

Institute of Chartered Accountants in England and Wales (ICAEW)

The non-authoritative tools the IAASB has produced have broadly supported effective implementation of the standard. The IAASB's: • flowchart of the key requirements relating to the three testing approaches • publication demonstrating simple and complex illustrative examples • publication demonstrating illustrative examples in relation to expected credit losses have been particularly useful. However, we suggest that consideration be given to producing guidance for auditors addressing some of the practical challenges in applying the standard, as noted in our response to question 6. This could include: • further guidance to help auditors appropriately scale the standard to estimates with a range of complexities and risk profiles, particularly low-risk and low-estimation uncertainty estimate – although narrow scope amendment to the standard to exclude such estimates would achieve the same objective • illustrative examples addressing, for example, how auditors might approach auditing AEs of financial institutions with smaller and simpler portfolios, as well as the approach to larger and more complex institutions. • illustrative examples demonstrating circumstances in which the use of experts may and may not be necessary. In our 2017 response to the IAASB's consultation on the revised standard, we called for guidance on the application of ISA 540 to the financial sector. Our response to question 6 highlights two issues that are of particular concern regarding these audits of entities: the increasing use of emerging technologies to produce forward-looking estimates and situations in which the auditor's range of reasonable estimates exceeding materiality. Further non-authoritative guidance addressing these issues would be welcome.

Institute of Chartered Accountants of Ghana

They help to effectively understand how to interpret and apply the standard. They help users of the standard on how to implement the revised standard

Instituto Nacional de Contadores Públicos de Colombia (INCP)

We recommend that these tools be promoted more broadly.

International Federation of Accountants (IFAC)

IFAC considers the IAASB's non-authoritative guidance and support tools useful, particularly where practitioners are aware of them and use them. Outreach indicated that flowcharts, examples, and other implementation materials help explain the requirements and support implementation.

Malaysian Institute of Accountants (MIA Malaysia)

The non-authoritative guidance, including illustrative examples, flowcharts, and presentations helps to clarify requirements, provides practical implementation guidance and facilitates a better understanding of the standard.

Malta Institute of Accountants (MIA Malta)

The IAASB's non-authoritative support tools have been valuable in promoting awareness and supporting more consistent implementation of ISA 540 (Revised), particularly through presentations, flowcharts, and other practical materials. These resources are especially helpful for more complex estimates;

Nordic Federation of Public Accountants (NRF)

NRF agrees that the non-authoritative guidance and support tools are useful and have supported implementation of ISA 540 (Revised). At the same time, feedback indicates that the materials do not fully address several practical challenges encountered in applying the standard. These include issues of scalability and proportionality, duplication in work effort and documentation arising from the interaction between ISA 540 (Revised) and ISA 315 (Revised 2019), and practical challenges relating to the development of an auditor's point estimate or range and to complex models and data.

Pan African Federation of Accountants (PAFA)

The guidance and support tools have generally been regarded as useful and relevant, confirming their quality and contribution to implementation. At the same time, there are signals that in certain contexts these materials may not fully address practical needs.

The Malaysian Institute of Certified Public Accountants

The non-authoritative guidance, including illustrative examples, flowcharts, and presentations helps to clarify requirements, provides practical implementation guidance and facilitates a better understanding of the standard.

B. Suggestions for Non-Authoritative Materials

4. Regulators and Audit and Assurance Oversight Bodies

Botswana Accountancy Oversight Authority (BAOA)

However, additional industry-specific examples, practical case studies and simplified implementation guidance for SMEs and less complex entities would further enhance consistency and ease of application across different jurisdictions and firm sizes. The IAASB should consider developing additional non-authoritative guidance demonstrating how ISA 540 (Revised) can be applied proportionately in audits of SMEs and less complex entities, for example, practical examples illustrating scalable documentation, risk assessment, and testing approaches would be particularly beneficial.

Lesotho Institute of Accountants

Continued development of practical examples and further implementation support would still be beneficial, especially for small and medium-sized practices and audits of less complex entities. Importantly, the guidance should continue to reinforce that it supports, rather than replaces, the auditor's responsibility to apply ISA 540 (Revised) requirements and exercise professional judgment.

5. Jurisdictional and Other Standards Setters (JSS)

Auditing and Assurance Standards Board of Canada (AASB)

Awareness of IAASB's NAG:

- Practitioners who audited accounting estimates with a higher degree of complexity, were aware of the IAASB's NAG and tools developed to support the implementation of ISA 540 (Revised) and found them useful.
- Practitioners from smaller firms who mainly audited accounting estimates with a lesser degree of complexity, indicated that they were not previously aware of these materials.

Feedback on IAASB's NAG: With respect to the usefulness of the NAG developed to support the implementation of ISA 540 (Revised), we heard mixed views, including:

- NAG is primarily focused on auditing higher-risk accounting estimates (i.e., circumstances described in ISA 540.A21), rather than lower-risk/very-low risk accounting estimates. See the IAASB's:
 - o ISA 540-Expected-Credit-Loss-Illustrative-Examples
 - o ISA 540-Illustrative-Examples-1-and-2-Simple-and

Complex

- The IAASB should consider:
 - o Updating and expanding existing guidance:
 - Correct references to superseded ISAs that were revised after the guidance was published (for example, the IAASB's ISA 540-Diagram Linkages-Between-ISAs guidance contains references to superseded ISA 315), and
 - Provide more examples for simple accounting estimates; and
 - o Communication:
 - Re-publish updated guidance; and
 - Encourage jurisdictional standard setters to raise awareness about the updated NAG in their ecosystem.

Australian Auditing and Assurance Standards Board (AuASB)

Our outreach has indicated that practitioners are still experiencing difficulties in areas where there is insufficient guidance for example: - Linkages around management's estimates or developing auditors estimates, expected levels of precision, ranges that are multiples of materiality - financial instruments particularly guidance for complex models/provisions - providing examples of a non-complex estimate to better support auditors in scaling the requirements of the standard in a proportionate manner - knowing when to use an auditor's expert, determining the scope of their work and appropriately testing and challenging their work. Partly overlapping the points above, the Australian securities and audit regulator (ASIC) continues to find issues in this area of audit and, where possible, additional guidance may be necessary. Refer to Q15 and Q23 of this survey for more details. Non-authoritative guidance on the IAASB website, including complex and non-complex estimate examples, was issued several years ago and we recommend that the IAASB provides a reminder on these resources, including their nature and content.

Group of Latin American Accounting Standards Setters (GLASS)

However, we believe that illustrative examples for simple estimates are not entirely helpful, as we understand that it is impractical to have documentation with the same level of detail as that illustrative

example for every "simple" estimate in the financial statements, since estimates exist in most elements of the financial statements, except for cash, especially in audits of SMEs.

Hong Kong Institute of Certified Public Accountants (HKICPA)

It is recommended that the IAASB: • enhance the illustrative examples by making them more practical and better aligned with the circumstances auditors encounter in practice, including through more realistic fact patterns for common and complex accounting estimates, numerical illustrations where appropriate, less narrative description, and clearer and more detailed illustrations of the documentation expected to demonstrate compliance with the Standard; and • develop additional flowcharts and diagrams to guide auditors in understanding and applying the requirements of the Standard. These visual aids should particularly assist users in navigating key processes and decision points. Consider incorporating these materials within the Standard to enhance their accessibility and ensure they remain available over time.

Instituto Mexicano de Contadores Públicos (IMCP)

We consider that the materials have supported the implementation and application of the standard over these past years for different sizes of audit firms, considering that more structured firms have also developed its own methodology and materials to supplement the operability of the requirements. We also think that an additional set of updated FAQs and examples with challenges and experiences from the application of ISA 540 revised, resulting from the PIR outcome, could assist practitioners during the upcoming audit cycles. In addition, we may recommend that the material related to "Linkages between ISA 540 (Revised) and Other ISAs" includes a direct reference to ISA 240. This is based on the need to make the auditors aware of the risk of fraud in connection with accounting estimates. ISA 540 has specific reference on paragraph A136; however, the above mentioned material omits such reference.

Japanese Institute of Certified Public Accountants (JICPA)

Accounting estimates are evaluated based on a comprehensive consideration of factors such as the entity's business and its environments, as well as the nature of the subject matter being estimated. Assessment of the appropriateness of accounting estimates is left to the professional judgment of auditors, given their inherent nature. Therefore, we believe that there is no need for additional guidance or support tools.

New Zealand Auditing and Assurance Standards Board of the External Reporting Board

STAKEHOLDERS VALUE EXISTING GUIDANCE, BUT WANT MORE PRACTICAL CASE STUDIES
Existing non authoritative guidance was viewed positively by those familiar with it. Those less familiar or who were not aware, cited the time frames since it was issued or the lack of prominence on websites. Given limited resources, we recommend the IAASB re promote or recycle the relevant parts of the existing guidance so they remain visible to stakeholders. A recurring theme from our outreach was the need for practical case studies, particularly for "complex" estimates that are commonly encountered in practice. Suggestions we heard included a worked example of a valuation. These worked case studies would supplement and complement the examples in the extant guidance that are more straightforward and simpler.

6. Accounting Firms

BDO International Limited (BDO)

Non-authoritative guidance and supporting materials are valuable in supporting the implementation of ISA 540 (Revised). They help clarify key concepts, support training, and promote more consistent application across engagements, as well as assist firms in developing methodologies. However, their practical impact is somewhat uneven, and several limitations remain. In particular, the materials do not fully address key challenges such as scalability and proportionality, documentation effort, and integration with ISA 315. In addition, the overall volume of guidance can reduce usability, making it harder for practitioners to navigate and apply effectively. We would welcome more practical, targeted examples, especially those that:

- demonstrate how to apply the requirements proportionately across different levels of complexity (scalability),
- illustrate how to select between different audit approaches in practice, and
- reflect a range of estimate types and complexities.

Overall, while the guidance is useful and directionally helpful, its effectiveness would be enhanced by a stronger focus on practical application, simplification, and usability in real-world audit settings.

Grant Thornton International Ltd (GTI)

As the IAASB considers non-authoritative guidance to support future standards, we encourage such guidance to focus on practical examples where judgments about complexity, uncertainty, and risk assessment impact the planned response. We also believe additional guidance about scalability would have been helpful. The example provided in ISA 540 (Revised) appears circular because it requires the auditor to perform a substantial amount of risk assessment work related to understanding the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control in assessing risks of material misstatement and assessing inherent risk and control risk for accounting estimates. We heard in outreach amongst our member firms that auditors continually default to obtaining a detailed understanding under paragraph 13 of ISA 540 (Revised), rather than scaling their risk assessment work effort for estimates that are clearly not associated with a risk of material misstatement. In addition, we also heard that the non-authoritative guidance was not considered in certain jurisdictions because it was not translated to other languages.

RSM International Limited (RSM)

Notwithstanding this positive assessment, we believe that examples described as 'simple' may still reflect relatively sophisticated entities and processes and may involve a level of documentation that exceeds what is typically encountered in less complex environments. The inclusion of additional examples that reflect less complex realistic scenarios would further support proportional application and enhance accessibility for a broader range of practitioners. We encourage the IAASB to continue developing and refining non-authoritative guidance and support tools, building on the strong foundation established for ISA 540 (Revised), to further promote high-quality and consistent application in practice.

7. Professional Accountancy Organizations

Association of Chartered Certified Accountants (ACCA)

We suggest that the IAASB could further enhance the value of these materials by improving their visibility and accessibility on the IAASB website. Consideration could be given to modernising website navigation and making implementation resources easier to locate, particularly for stakeholders seeking practical guidance. Stakeholders also expressed support for the development of additional practical examples and

flowcharts that are more closely aligned to audits of small and medium-sized entities (SMEs). While many existing examples are helpful, further materials illustrating the application of ISA 540 (Revised) in less complex environments would support scalability and assist smaller firms in implementing the standard in a proportionate and efficient manner.

Chartered Accountants Australia and New Zealand (CAANZ)

Practitioners find the extant guidance useful, however they would welcome additional guidance and case studies which feature how to apply the standard to more complex estimates, including how to assess complex valuations. As some time has elapsed since the extant guidance was issued, it would be useful for the IAASB to remind practitioners that the guidance is available. Guidance on how the standard is intended to be applied to estimates where the risk of materially misstatement is assessed as acceptably low or at the lower end of the spectrum of acceptable risk would also be useful.

Chartered Accountants Ireland (CAI)

Further guidance would be helpful on how to apply the requirements on paragraphs 13 and 14 of the standard for estimates related to fair value of Level 1 Securities. Retrospective reviews, under paragraph 13 and 14, require considerable audit effort and documentation.

International Federation of Accountants (IFAC)

However, those materials could be made more visible, accessible, and clearly organized so practitioners can readily find and use them when applying ISA 540 (Revised). There is also scope for additional practical examples and clearer scalability messaging, particularly for less complex estimates and SME audit contexts. IFAC encourages the IAASB to continue using non-authoritative materials as the primary means of supporting implementation, rather than defaulting to additional requirements. These materials would be most useful if they clearly illustrate proportionate application, including what may be sufficient for simple estimates, how documentation can be scaled, and how auditors can avoid unnecessary duplication when applying ISA 540 (Revised) alongside ISA 315 (Revised 2019).

Malta Institute of Accountants (MIA Malta)

However, further enhancement is needed in the form of additional worked examples and more targeted, practical guidance. In particular, users would benefit from clearer direction on how to scale the standard for simple, low-risk estimates and routine accruals, how to align the level of effort more explicitly with the underlying risk, and how to address key judgment areas such as the interaction with ISA 315 and ISA 330, evaluation of point estimates and ranges, and considerations of management bias. Strengthening guidance in these areas would further support consistent, proportionate, and effective application of the standard.

Pan African Federation of Accountants (PAFA)

We encourage the Board to consider supplementing existing resources with Africa specific, practice level guidance that reflects local realities and challenges. Such tailored support would strengthen scalability and ensure the tools are not only conceptually sound but also practically applicable across diverse jurisdictions.

C. No Specific Responses

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

International Organization of Securities Commissions (IOSCO) Committee 1

2. Users of Financial Statements

Bank Aljazira

Credicorp Ltd.

European Federation of Financial Analysts' Societies (EFFAS)

Gulf international Bank KSA

Kei Tsuchiya (The Securities Analyst Association of Japan)

Rasid Payments Company

3. Preparers or Issuers of Financial Statements, Including TCWG

Ahmed Alfaraj

AJIL Financial Services Company

Alinma Bank

Arab National Bank

Banque Saudi Fransi (BSF)

Credit (Digital Financing From Anywhere)

Emirates National Bank of Dubai

Geidea Company

Hala Payments

Masar Finance Company

Mike Reid

National Bank of Kuwait, KSA

Nayifat Finance Company

Rami Aljabri

Saudi Real Estate Refinance Company

SNB

STC Bank

4. Regulators and Audit and Assurance Oversight Bodies

Canadian Public Accountability Board (CPAB)

Public Accountants and Auditors Board Zimbabwe (PAABZ)

UK Financial Reporting Council (UK FRC)

5. Jurisdictional and Other Standards Setters (JSS)

Institut der Wirtschaftsprüfer (IDW)

Saudi Organization for Chartered and Professional Accountants (SOCPA)

6. Accounting Firms

Alzoman, Alfahad & Alhajjaj Professional Services

BKR ISIK Consulting (International Auditor Company)

Crowe Solutions for Professional Consultancy

Deloitte Touche Tohmatsu Limited (DTTL)

Dr. Mohamed Al-Amri & Co. (Member Firm to BDO International Limited)

ELVI Audit FINANS LLC

Forvis Mazars Global Limited (Mazars)

Housam Halawa (Practitioner)

Kia Atlas (Director, RSM)

Luna Space Financial Company

Natiq Əliyev (Practitioner)

Qulu Cebizade (Practitioner)

Shamistan Suleyman (Practitioner)

Sultan Ahmed Alshubaily CPA (Practitioner)

Wing Tam (Principal, Forvis Mazar)

7. Professional Accountancy Organizations

Global Accounting Alliance (GAA)

Institute of Certified Public Accountants of Kenya (ICPAK)

Institute of Certified Public Accountants of Uganda (ICPAU)

Institute of Singapore Chartered Accountants (ISCA)

Virgina Society of CPAs Audit and Accounting Committee

8. Others

ASK KSA Consulting Inc.

EITMED

Saudi Awwal Bank (SAB)