

Agenda Item 8-B.4 (Supplemental)

Post-Implementation Review of ISA 540 (Revised)¹ – Respondents' Detailed Comments Related to Impacts of 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 25 respondents² detailed comments on the narrative question included in **Section V – Impacts of ISA 540 (Revised)** 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 E of Agenda Item 8**.

Narrative Question about Suggestions for Course of Actions Included in Section V – Impacts of ISA 540 (Revised)

- (a) [Question 11](#) of the survey for preparers and issuers of financial statements, including TCWG: Describe your views about these or any other impacts you have observed or become aware of, related to the application of ISA 540 (Revised) by auditors.

Question 11

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

Significant Themes

- [A. Impacts](#)
- [B. No Specific Responses](#)

A. Impacts

2. Users of Financial Statements

Bank Aljazira

ISA 540 (Revised) has enhanced the audit of accounting estimates through a stronger risk-based approach and improved professional skepticism, leading to better audit quality

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

² These questions were only presented to preparers and issuers of financial statements, including those charged with governance (TCWG) and users of financial statements.

European Federation of Financial Analysts' Societies (EFFAS)

As previously noted, entities are more open to disclose the inheriting risk and work with the auditors to provide "forward looking" information, estimates, relevant for users.

Rasid Payments Company

The global implementation of ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures, has fundamentally shifted how auditors evaluate high-judgment financial figures. By introducing a more structured approach to inherent risk factors —specifically complexity, subjectivity, and estimation uncertainty—the standard has significantly altered audit workflows, documentation, and client dynamics.

3. Preparers or Issuers of Financial Statements, Including TCWG

AJIL Financial Services Company

The application of ISA 540 (Revised) has led to more robust discussions between management and auditors regarding accounting estimates on key assumptions, data sources, and estimation uncertainty. This resulted in strengthened governance over significant estimates, increased evaluation of key judgments, and improved the quality of related disclosures.

Arab National Bank

The implementation of ISA 540 (Revised) has generally strengthened the auditing of accounting estimates and related disclosures by promoting a more robust risk-based approach that emphasizes professional skepticism, comprehensive evaluation of estimation uncertainty, complexity, and subjectivity, and tailored audit responses to potential management biases.

Banque Saudi Fransi (BSF)

The additional scrutiny into accounting estimates, specifically related to risks uncertainty, complexity, and subjectivity encourages issuers of financial statements to not only come up with higher quality estimates in considering additional factors that were thought unnecessary in the past, but also document assumptions and methodologies in estimate working files in a more comprehensive way.

Credit (Digital Financing From Anywhere)

We have not yet commenced operations, but we understand that ISA 540 (Revised) has increased auditors' focus on accounting estimates, professional skepticism, and supporting documentation.

Geidea Company

The main challenge relates to the level of documentation and audit procedures required for less complex accounting estimates. In some cases, the effort needed to demonstrate compliance with ISA 540 (Revised) may appear disproportionate to the complexity and risk of the estimate. However, these challenges are generally manageable and have not prevented effective implementation of the standard.

Some minor challenges exist in consistently applying professional skepticism, particularly when dealing with complex or highly judgmental accounting estimates. These include appropriately challenging management assumptions and identifying subtle indicators of bias. However, these challenges are generally manageable and are addressed through auditor experience, training, and existing audit methodologies.

The issues observed are generally minor and mainly relate to applying judgment in assessing inherent risk factors and understanding management's estimation processes. These challenges are more pronounced in estimates with a high degree of estimation uncertainty or complexity, where more subjective inputs and models are involved. Overall, the requirements are applied effectively in practice, with no significant systemic issues identified.

The issues observed are generally minor and relate mainly to the practical application of audit responses to complex accounting estimates. These include judgment in determining appropriate audit procedures, developing point estimates or ranges, and evaluating management's estimates. The challenges are more evident in areas with a high degree of estimation uncertainty or complexity, where greater professional judgment is required. Overall, these issues are manageable and do not significantly impact the effective application of ISA 540 (Revised).

The issues observed are generally minor and relate to applying judgment in determining the extent of communication on accounting estimates, deciding when to involve an auditor's expert, and ensuring documentation is sufficiently detailed and aligned with the requirements of ISA 540 (Revised). These challenges are more evident in complex or highly judgmental estimates but are generally well managed through existing audit processes and professional experience.

The application of ISA 540 (Revised) has generally led to improved audit focus on accounting estimates, particularly in understanding management's processes, assumptions, and related controls. It has also enhanced attention to estimation uncertainty and related disclosures. While the standard has positively impacted audit quality, it has also resulted in increased audit effort and documentation requirements, especially for more complex estimates. Overall, the impacts are considered positive and have strengthened the robustness of audits in this area.

Hala Payments

Overall, the impact of ISA 540 (Revised) has been positive. It has led to more robust risk assessments, increased focus on estimation uncertainty and management bias, and enhanced professional skepticism when auditing accounting estimates. Auditors are generally performing more tailored procedures and providing better documentation to support their conclusions.

While implementation has required additional effort, training, and documentation—particularly in areas involving complex estimates—the resulting improvements in audit quality, consistency, and transparency have outweighed these challenges. The standard has also encouraged more meaningful engagement with management regarding key assumptions, methodologies, and sources of estimation uncertainty.

Lendo Saudi Arabia for Financing Company

Positive impacts:

The revised standard has elevated the overall standard of audit evidence required for estimates, which has had a beneficial knock-on effect on the quality of our internal processes, model governance, and management review procedures. Early engagement between auditors and management on key estimates has become the norm, reducing surprises at the final audit stage and leading to a more collaborative and efficient audit process.

The standard has encouraged more consistent treatment of estimation uncertainty across reporting periods, improving the comparability of our financial statements.

Challenges observed:

The increased documentation and evidence requirements have placed considerable additional workload on finance teams, particularly during year-end and interim reporting periods. For smaller or growing organizations, this can strain internal resources.

There is some inconsistency in how different audit teams interpret and apply the revised standard in practice, particularly around the level of evidence required for forward-looking assumptions. Greater consistency in auditor application would be welcomed. In emerging market contexts, the availability of historical data and benchmarking information to support certain estimates remains a practical limitation that the standard does not fully address.

Madfu BNPL Financing Company

The implementation of the revised standard has led to more robust discussions with auditors regarding the underlying assumptions of our ECL models, which ultimately improved the transparency of our financial reporting.

Mike Reid

As auditors have higher requirements, this has a cascading effect on preparers to sustain the increased challenge by the auditors.

Rami Aljabri

Facing challenges by auditors regarding management assumptions and bias are common specially in complex accounting estimations.

SNB

no clear guidance

B. No Specific Responses

2. Users of Financial Statements

Credicorp Ltd.

Gulf International Bank KSA

NA

Kei Tsuchiya (The Securities Analyst Association of Japan)

Please refer to my response in Section III (Overall Questions).

3. Preparers or Issuers of Financial Statements, Including TCWG

Ahmed Alfaraj

Alinma Bank

Nothing to report

Emirates National Bank of Dubai

Masar Finance Company

National Bank of Kuwait, KSA

No

Nayifat Finance Company

Saudi Real Estate Refinance

STC Bank

Nothing any specific most of the areas are covered above.