

Targeted Standards in the ISA 500 Series

Agenda Item 7

September 2026 IAASB Meeting
New York, United States



Project Team and Project Board Members



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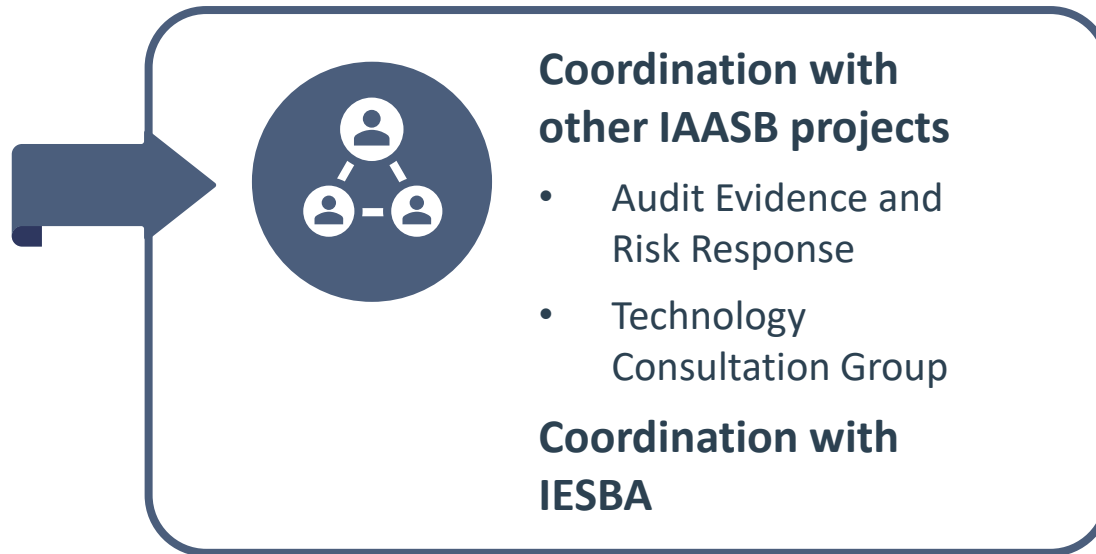
Greg Schollum
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Objectives of the Session

Obtain the Board's input on:

- Proposed ISA 501 (Revised) as it relates to inventory and Proposed ISA 505 (Revised) – The 'in-scope standards'
- Significant conforming and consequential amendments arising from the revision of the in-scope standards

Coordination and Outreach Activities



Project Objectives That Support the Public Interest

Delivering standards that respond to stakeholders' needs and are more closely aligning with the concepts and requirements in foundational ISAs



Objective A

Modernize audit evidence standards related to inventory and external confirmations to reflect more appropriately the business and audit environment, including the implications of the use of technology by entities, auditors and organizations they interact with



Objective B

Promote consistent practice and behavior in obtaining and evaluating audit evidence about inventory and from external confirmation procedures, including reinforcing the appropriate exercise of professional skepticism in relation to these topics

Proposed ISA 501 (Revised) – Inventory

Proposed ISA 501 (Revised) – Inventory : Restructuring

New requirement in paragraph 3A for auditor to perform further audit procedures in response to relevant assertions that depend on how the entity verifies the existence and condition of inventory



(1) Testing the entity's full inventory count in accordance with paragraphs 4–6



(2) Testing the entity's cycles counts in accordance with paragraphs 4 and 6A



(3) Testing how the entity addresses existence and condition of inventory in accordance with paragraph 6B (where the entity does not conduct a full inventory count or cycle counts)

Matters for IAASB Consideration



Agenda Item 7 – Question 1(a)

The Board is asked for its views on
(a) The restructuring of Proposed ISA 501 (Revised) generally as discussed in paragraphs 10–33 of **Agenda Item 7**

Matters for IAASB Consideration

Restructuring the Standard – Directionally

- Does the Board agree with the approach taken to anchor the auditor's work effort to management's approach?
- To modernize the standard, does the Board agree that there should be a third category in addition to full inventory counts and cycle counts?

Matters for IAASB Consideration

Proposed Requirement in Paragraph 6B – Execution

- Is the proposed requirement in paragraph 6B (third category) specific enough to drive consistent application?
- Could the third category inadvertently weaken the standard when the circumstances indicate that an inventory count should have been performed (but was not)?

Walkthrough of Proposed ISA 501 (Revised) – Inventory

Paragraphs in Agenda Item 7–B

**Introduction; Objective;
and Requirements –
Inventory**

Paragraphs

1 – 3A

Matter for IAASB Consideration

Question 1

The Board is asked for its views on
(b) Proposed ISA 501 (Revised) as it relates to
inventory presented in **Agenda Item 7–B**

Walkthrough of Proposed ISA 501 (Revised) – Inventory (Cont.)

Paragraphs in Agenda Item 7–B

Requirements – Testing the Entity’s Full Inventory Count or Cycle Counts; and Full Inventory Counts

Paragraphs

4 – 6

Matter for IAASB Consideration

Question 1

The Board is asked for its views on
(b) Proposed ISA 501 (Revised) as it relates to inventory presented in **Agenda Item 7–B**

Walkthrough of Proposed ISA 501 (Revised) – Inventory (Cont.)

Paragraphs in Agenda Item 7–B

Requirements – Cycle Counts; and Testing How the Entity Addresses the Existence and Condition of Inventory Where the Entity Does Not Conduct a Full Inventory Count or Cycle Counts

Paragraphs

6A – 6B

Matter for IAASB Consideration

Question 1

The Board is asked for its views on
(b) Proposed ISA 501 (Revised) as it relates to inventory presented in **Agenda Item 7–B**

Walkthrough of Proposed ISA 501 (Revised) – Inventory (Cont.)

Paragraphs in Agenda Item 7–B

Requirements –
Attendance at the Entity’s Full Inventory Count or Cycle Counts Is Impracticable; Inventory Under the Custody and Control of a Third Party; and Unable to Obtain Sufficient Appropriate Audit Evidence

Paragraphs

7 – 8A

Matter for IAASB Consideration

Question 1

The Board is asked for its views on
(b) Proposed ISA 501 (Revised) as it relates to inventory presented in **Agenda Item 7–B**

Walkthrough of Proposed ISA 501 (Revised) – Inventory (Cont.)

Paragraphs in Agenda Item 7–B

Application Material –
Inventory

Paragraphs

A0A – A0G

Matter for IAASB Consideration

Question 1

The Board is asked for its views on
(b) Proposed ISA 501 (Revised) as it relates to
inventory presented in **Agenda Item 7–B**

Walkthrough of Proposed ISA 501 (Revised) – Inventory (Cont.)

Paragraphs in Agenda Item 7–B

Application Material –
Testing the Entity’s Full
Inventory Count or Cycle
Counts; and Full
Inventory Counts

Paragraphs

A0H – A9B

Matter for IAASB Consideration

Question 1

The Board is asked for its views on
(b) Proposed ISA 501 (Revised) as it relates to
inventory presented in **Agenda Item 7–B**

Walkthrough of Proposed ISA 501 (Revised) – Inventory (Cont.)

Paragraphs in Agenda Item 7–B

Application Material –
Cycle Counts; and
Testing How the Entity
Addresses the Existence
and Condition of
Inventory Where the
Entity Does Not Conduct
a Full Inventory Count or
Cycle Counts

Paragraphs

A10 – A11D

Matter for IAASB Consideration

Question 1

The Board is asked for its views on
(b) Proposed ISA 501 (Revised) as it relates to
inventory presented in **Agenda Item 7–B**

Walkthrough of Proposed ISA 501 (Revised) – Inventory (Cont.)

Paragraphs in Agenda Item 7–B

Application Material –
Attendance at the
Entity’s Full Inventory
Count or Cycle Counts Is
Impracticable; Inventory
Under the Custody and
Control of a Third Party;
and Unable to Obtain
Sufficient Appropriate
Audit Evidence

Paragraphs

A12 – A15A

Matter for IAASB Consideration

Question 1

The Board is asked for its views on
(b) Proposed ISA 501 (Revised) as it relates to
inventory presented in **Agenda Item 7–B**

Matters for IAASB Consideration



Agenda Item 7 – Question 1(c)

The Board is asked for its views on

(c) Whether there are any other matters regarding inventory that need to be considered, including whether additional guidance would be useful to address inventories held in multiple locations (in addition to paragraph AOE of **Agenda Item 7–B**)

Proposed ISA 505 (Revised)

Walkthrough of Proposed ISA 505 (Revised)

Paragraphs in Agenda Item 7–C

**Introduction; Objective;
and Definitions**

Paragraphs

1 – 6

Matter for IAASB Consideration

Question 2

The Board is asked for its views on
(a) Proposed ISA 505 (Revised) presented in
Agenda Item 7–C

Walkthrough of Proposed ISA 505 (Revised) (Cont.)

Paragraphs in Agenda Item 7–C

Requirements

Paragraphs

7 – 14

Matter for IAASB Consideration

Question 2

The Board is asked for its views on
(a) Proposed ISA 505 (Revised) presented in
Agenda Item 7–C

Walkthrough of Proposed ISA 505 (Revised) (Cont.)

Paragraphs in Agenda Item 7–C

Application Material –
External Confirmation
Procedures; and Using
an Intermediary

Paragraphs

A1 – A7D

Matter for IAASB Consideration

Question 2

The Board is asked for its views on
(a) Proposed ISA 505 (Revised) presented in
Agenda Item 7–C

Walkthrough of Proposed ISA 505 (Revised) (Cont.)

Paragraphs in Agenda Item 7–C

Application Material –
Negative Confirmation
Requests; and Reliability
of Responses to
Confirmation Requests

Paragraphs

A7E – A17

Matter for IAASB Consideration

Question 2

The Board is asked for its views on
(a) Proposed ISA 505 (Revised) presented in
Agenda Item 7–C

Walkthrough of Proposed ISA 505 (Revised) (Cont.)

Paragraphs in Agenda Item 7–C

Application Material –
Non-Responses; When a
Response to a Positive
Confirmation Request Is
Necessary to Obtain
Sufficient Appropriate
Audit Evidence; and
Exceptions

Paragraphs

A17A – A22B

Matter for IAASB Consideration

Question 2

The Board is asked for its views on
(a) Proposed ISA 505 (Revised) presented in
Agenda Item 7–C

Matters for IAASB Consideration



Agenda Item 7 – Question 2(b)

The Board is asked for their views on
(b) Whether there are any other matters regarding external confirmation procedures that need to be considered



Significant Amendments to Proposed ISA 330 (Revised)

Significant Amendments to Proposed ISA 330 (Revised) – External Confirmation

Project Team Views and Recommendations

- Proposed requirement to determine whether to perform external confirmation procedures for certain accounts **relocated to paragraph 11A of Proposed ISA 330 (Revised)**
- Requirement enhanced by using “*in complying with*” construct
- **Scope** of the proposed requirement in paragraph 11A **reconsidered: reference to accounts receivable removed**
 - Not globally operable and used in practice
 - Unnecessary burden on auditors to document why they did not send confirmations
- Application material emphasizes that external confirmations can be used for accounts receivable

Matters for IAASB Consideration



Agenda Item 7 – Question 3

The Board is asked for its views on the significant proposed conforming and consequential amendments to Proposed ISA 330 (Revised) as presented in **Agenda Item 7–D**

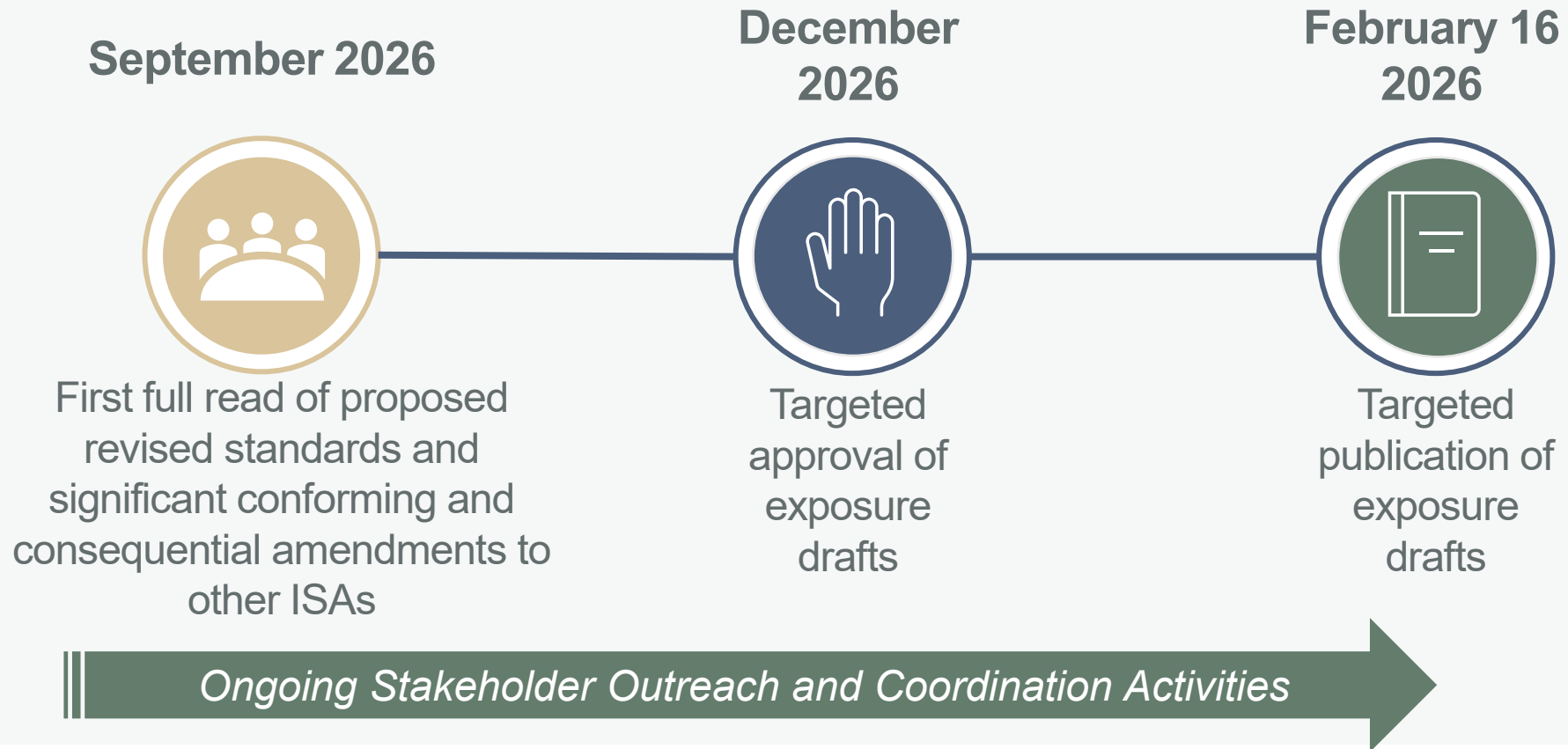
Matters for IAASB Consideration



Agenda Item 7 – Question 4

The Board is asked for its views on the process for developing the proposed conforming and consequential amendments to the IAASB's International Standards as discussed in paragraphs 45–51 of **Agenda Item 7**

Way Forward to Approval of Exposure Draft



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