ISA 540 (Revised) Post-Implementation Survey

Response ID:248 Data

3. Section II: About the Respondent

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

Organization (or leave blank if you are completing the survey in your personal capacity) : Rasid Payments Company
Name(s) of contact(s) for this submission : Mohamed Gomaa
Job title or role : Finance Manager

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

Users of Financial Statements (e.g. investor, analyst, lender or other creditor)

3. Please select from the following options the geographical region that best matches you or your organization:

Middle East

4. Did you undertake outreach activities with other stakeholders outside your organization to inform your responses to this survey?

No

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

4. Section III: Overall Questions

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.

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.

7. Are you aware of the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised)?

No

5. Section IV: Perceived Benefits from ISA 540 (Revised)

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

	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) Enhanced interactions and communications between the auditor and management and those charged with governance related to the audit of accounting estimates.	X				
(b) Enhanced quality of financial reporting related to accounting estimates.	X				

9. Are there any additional benefits or positive outcomes arising from the implementation of ISA 540 (Revised) that you would like to highlight?

No

12. Section V: Impacts of ISA 540 (Revised)

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

	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) The quality of the entity's disclosures in the financial statements related to accounting estimates has improved.	X				
(b) The communications in the auditor's report (e.g., Key Audit Matters related to accounting estimates) have improved in terms of describing the matter(s) and how the auditor has addressed the matter(s) in the audit.	X				
(c) Auditors are devoting appropriate attention to the entity's accounting estimates as part of the financial statement audit.	X				
(d) There is greater consistency in how audit firms approach the audit of accounting estimates since ISA 540 (Revised) has been effective.		X			

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.

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.

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

To address the structural friction, scalability issues, and documentation burdens exposed during the Post-Implementation Review of ISA 540 (Revised), the International Auditing and Assurance Standards Board (IAASB) should deploy a targeted mix of standard-setting refinements, practical guidance, and strategic collaborations.
The most effective, actionable suggestions for how the IAASB can address these challenges are structured below by action type:
1. Non-Authoritative Guidance (Immediate Priority)
Because full standard-setting takes years, the IAASB should prioritize issuing immediate, practical toolkits to bridge the gap between compliance theory and field execution.
• "Proportionality Profiles" for SMPs: Publish dedicated, sector-specific application guides for Small and Medium Practices

(SMPs). These profiles should provide concrete examples of what a compliant, scaled-down audit looks like for common, low-risk estimates (e.g., standard asset depreciation or routine inventory obsolescence provisions).

• MAD Framework Documentation Matrix: Create standardized templates and flowcharts mapping out the exact minimum documentation required when analyzing management's Methods, Assumptions, and Data (MAD). This will reduce repetitive, narrative over-documentation.

• Guidance on "Sufficient" Corroborative Evidence: Clarify when an auditor has done "enough" to fulfill the stand-back requirement, giving practitioners clear boundaries on when they can stop hunting for contradictory evidence without fearing regulatory pushback.

2. Targeted Standard-Setting & Revisions (Medium Term)

The IAASB should introduce narrow-scope amendments to align ISA 540 (Revised) with other updated standards and correct architectural pain points.

• Harmonize with ISA 315 (Revised): Issue narrow-scope amendments to explicitly align the terminology of ISA 540's inherent risk spectrum with ISA 315 (Revised). Specifically, streamline the separate, redundant risk assessment steps at the assertion level for simple estimates.

• Carve-outs for Less Complex Entities: Formally bridge ISA 540 requirements into the newly developed ISA for LCE (Less Complex Entities) standard. This would structurally remove the complex inherent risk factor matrix for entities that do not possess intricate financial instruments or complex valuation models.

• Refine the Definition of "Significant Assumptions": Narrow the threshold of what qualifies as a significant assumption. Restricting this to assumptions that directly drive high estimation uncertainty prevents audit teams from treating every minor model input as a high-risk factor.