

**Proposed International Standard on Auditing 540 (Revised)
Auditing Accounting Estimates and Related Disclosures**

Request for Comments

Request 1) Has ED-540 been appropriately updated to deal with evolving financial reporting frameworks as they relate to accounting estimates?

Answer 1) The purpose of the ED-540 for the auditor to obtain sufficient appropriate audit evidence to assess whether accounting estimates and related information are reasonable in the context of the applicable financial reporting framework, or if they are mistaken, appears to be Adequately achieved, as it includes improved requirements for risk assessment procedures and the auditor's work effort in responding to assessed risks of material misstatement to support this assessment

Request 2) Do the requirements and application material of ED-540 appropriately reinforce the application of professional skepticism when auditing accounting estimates?

Answer 2) We consider that the requirements and application material of ED-540 include all the issues in which must be reinforce the application of professional skepticism when auditing accounting estimates.

Request 3) Is ED-540 sufficiently scalable with respect to auditing accounting estimates, including when there is low inherent risk?

Answer 3) Yes. The ED clearly develops the work of the auditor when the risk is low differentiating it from when the risk is not low. In case of low risk, it proposes to perform one or more procedures that it identifies, further clarifying that if they do not provide sufficient and appropriate audit evidence, the auditor will design and carry out other procedures.

Request 4) When inherent risk is not low (see paragraphs 13, 15 and 17–20):

a) Will these requirements support more effective identification and assessment of, and responses to, risks of material misstatement (including significant risks) relating to accounting estimates, together with the relevant requirements in ISA 315 (Revised) and ISA 330?

b) Do you support the requirement in ED-540 (Revised) for the auditor to take into account the extent to which the accounting estimate is subject to, or affected by, one or more relevant factors, including complexity, the need for the use of judgment by management and the potential for management bias, and estimation uncertainty?

c) Is there sufficient guidance in relation to the proposed objectives-based requirements in paragraphs 17 to 19 of ED-540? If not, what additional guidance should be included?

Answer 4) a) In our opinion the requirements will help to identify, evaluate and respond to the risks of misrepresentation. Paragraphs 13 and 15 of the ED are important as they identify the risk factors that may affect accounting estimates. There is consistency between the risks assessed and the need to apply subsequent procedures that respond to them.

b) We consider that it helps with the fundamentals exposed in the previous point.

c) We consider that, although in the Draft include provisions on the use of specialist services, it would be useful to add in paragraphs 17 to 19 the need to obtain evidence of whether management used the services of a specialist in estimates for which specialized skills or knowledge are required

Request 5) Does the requirement in paragraph 20 (and related application material in paragraphs A128–A134) appropriately establish how the auditor’s range should be developed? Will this approach be more effective than the approach of “narrowing the range”, as in extant ISA 540, in evaluating whether management’s point estimate is reasonable or misstated?

Answer 5) We believe it would help understanding add examples or cases.

Request 6) Will the requirement in paragraph 23 and related application material (see paragraphs A2–A3 and A142–A146) result in more consistent determination of a misstatement, including when the auditor uses an auditor’s range to evaluate management’s point estimate?

Answer 6) We believe that the requirement and the application material allow a more consistent determination.

Request 7) With respect to the proposed conforming and consequential amendments to ISA 500 regarding external information sources, will the revision to the requirement in paragraph 7 and the related new additional application material result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources?

Answer 7) We believe that the proposed conforming and consequential amendments to ISA 500 regarding external information sources provide better guidance to auditors about how to perform more appropriate and consistent evaluations of the relevance and reliability of information from external information source. Current ISA 500 contains more guidance about how to get evidence from internal sources.

Request 8) In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:

(a) Translations—recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-540.

(b) Effective Date—Recognizing that ED-540 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods ending approximately 18 months after the approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

Answer 8) Translations

We have not identified potential translation issues to Spanish

Effective date

We believe that the proposed effective date is appropriate and allow and early adoption consistent with the effective date of IFRS 9.