

September 8, 2019

**Mr. Christopher Arnold**  
**Head of SME/SMP and Research**  
**International Federation of Accountants**

Re: Audit of Less Complex Entities

Dear Sir,

Using modified IASs for the audit of Less Complicated Entities (LCEs), with maintaining the quality of the audit at an acceptable level, would certainly increase the efficiency of the audits, especially in SMPs.

My comments in response to the questions raised in Discussion Paper are as follows:

***Question 1- Characteristics of LCEs.***

In my opinion, one of the most important characteristics of an LCE, which is recommended to be added to those mentioned in DP is the complexity of estimates (ISA 540). The entities with less complexity in judgments about income recognition and estimates should be considered as LCE.

***Question 2- Challenges related to the account of LCEs.***

The main challenge in the audit of LCEs is to define the scope of exemptions and/or simplifications of parts of ISAs.

An option could be, in determining the Risk of Material Misstatements (RMM), assessing the Risk of Control as high, without performing the test of controls and focus on analytical procedures and test of details.

***Question 3- Factors beyond the control of ISAs in LCEs.***

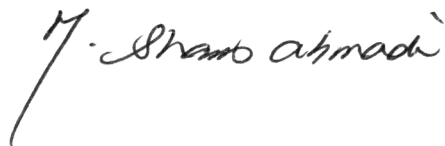
The ISAs for LCEs (modified or simplified) should encourage the auditors to consider the laws and regulations in the jurisdiction and modify their audit plans to respond to those laws and regulations accordingly.

***Question 4- Possible actions***

Due to the complexity and time consuming to modify all ISAs to be tailor made for audit of LCEs, it is recommended that a comprehensive guideline to be prepared by IAASB.

Your Sincerely

**Mansour Shams Ahmadi**

A handwritten signature in black ink, appearing to read 'M. Shams Ahmadi', written in a cursive style.