

Agenda Item 5A



MATRIX - DETAILED DIFFERENCES BETWEEN ISA 570 (REVISED) AND THE PROPOSED AU-C 570 (REVISED), *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*

The following is a comparison of International Standard on Auditing (ISA) 570 (Revised), *Going Concern*; Proposed Statement on Auditing Standards (SAS) (Revised); and extant Statement on Auditing Standards No. 126., *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern (Redrafted)* (AICPA, *Professional Standards*). The proposed SAS is marked to show differences in language between the ISA and SAS No. 126 (new and deleted material are shown in colored track changes). The SAS No. 126 column contains selected requirements and guidance in the extant AU sections mapped against the proposed SAS in order to demonstrate how the material has been reflected in the proposed SAS. The comments column includes explanations and rationales for substantive changes that have been made in the proposed SAS.

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
Introduction	Introduction		
Scope of this ISA	Scope of this <u>proposed ISASAS</u>		
1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities in the audit of financial statements relating to going concern and the implications for the auditor's report. (Ref: Para. A1)	1. This <u>Statement on Auditing Standards (SAS)</u> addresses <u>International Standard on Auditing (ISA)</u> deals with the auditor's responsibilities in the audit of financial statements relating to going concern and the implications for the auditor's	1. This Statement on Auditing Standards (SAS) addresses the auditor's responsibilities in an audit of financial statements with respect to evaluating whether there is substantial doubt about the entity's ability to continue as a going concern. This SAS applies	

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	report. (Ref: Para. A1A1)	to all audits of financial statements, regardless of whether the financial statements are prepared in accordance with a general purpose or a special purpose framework. ¹ This SAS does not apply to an audit of financial statements based on the assumption of liquidation (for example, when [a] an entity is in the process of liquidation, [b] the owners have decided to commence dissolution or liquidation, or [c] legal proceedings, including bankruptcy, have reached a point at which dissolution or liquidation is probable). ²	
Going Concern Basis of Accounting	Going Concern Basis of Accounting		
2. Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. General purpose financial statements are	2. Under <u>U.S. the going concern basis of accounting generally accepted accounting principles (GAAP), the general purpose</u> financial statements are prepared on the assumption that the entity is a going	2. Continuation of an entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Ordinarily, information that significantly contradicts the going concern assumption relates	To align proposed standard to U.S. terminology.

¹ *General purpose and special purpose frameworks* are defined in AU-C section 700, *Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*) and AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks* (AICPA, *Professional Standards*), respectively.

² See Interpretation No. 1, "Reporting on Financial Statements Prepared on a Liquidation Basis of Accounting," of AU-C section 700 (AICPA, *Professional Standards*, AU-C sec. 9700 par. .01–.05).

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<p>prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial statements prepared on a tax basis in particular jurisdictions). When the use of the going concern basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business. (Ref: Para. A2)</p>	<p>concern <u>unless the entity's liquidation becomes imminent.</u> and will continue be able its operations for the foreseeable future <u>General purpose financial statements are prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so</u> <u>and until the entity's liquidation is imminent.</u> Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g. <u>for example</u>), the going concern basis of accounting is not relevant for some financial statements prepared on a tax basis in particular jurisdictions). When the use of the going concern basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business <u>meet its obligations as they become due for a reasonable period of time.</u></p>	<p>to the entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, restructuring of debt, externally forced revisions of its operations, or similar actions.</p>	

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	(Ref: Para. <u>para.</u> , A1a–A2)		
Responsibility for Assessment of the Entity’s Ability to Continue as a Going Concern	Responsibility for Assessment of the Entity’s Ability to Continue as a Going Concern		
<p>3. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the entity’s ability to continue as a going concern, and standards regarding matters to be considered and disclosures to be made in connection with going concern. For example, International Accounting Standard (IAS) 1 requires management to make an assessment of an entity’s ability to continue as a going concern.³ The detailed requirements regarding management’s responsibility to assess the entity’s ability to continue as a going concern and related financial statement disclosures may also be set out in law or regulation.</p>	<p>3. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the entity’s ability to continue as a going concern <u>for a reasonable period of time</u>, and standards regarding matters to be considered and disclosures to be made in connection with going concern. For example, <u>GAAP International Accounting Standard (IAS) 1</u> requires management to make an <u>assessment</u>evaluation of <u>whether conditions and events, considered in the aggregate, that raise substantial doubt about</u> an entity’s ability to continue as a going concern <u>within one year after the date the financial statements are issued (or within one year after the date the financial statements are available to be issued when applicable)</u>.⁴ Similarly, the U.S.</p>		<p>To align proposed standard to U.S. environment.</p>

³ IAS 1, *Presentation of Financial Statements*, paragraphs 25–26

⁴ Accounting Standards Codification (ASC) 205-40-50-1 of Financial Accounting Standards Board’s Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an*

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	<p><u>Governmental Accounting Standards Board (“GASB”) statements requires financial statement preparers to evaluate whether substantial doubt about a governmental entity’s ability to continue as a going concern for twelve months beyond the financial statement date (GASB further requires if there is information currently known to the governmental entity that may raise substantial doubt shortly thereafter (for example, within an additional three months), such information also should be considered. The detailed requirements regarding management’s responsibility to assess the entity’s ability to continue as a going concern for a defined period of time and related financial statement disclosures may also be set out in law or regulation. (Ref: par. 2a)</u></p>		
<p>4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity’s ability to</p>	<p>4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity’s ability to</p>		<p>Inserted reasonable period of time to make clearer the period of management’s responsibility.</p>

Entity’s Ability to Continue as a Going Concern,

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<p>continue as a going concern. Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of financial statements as discussed in paragraph 2, the preparation of the financial statements requires management to assess the entity’s ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.</p>	<p>continue as a going concern <u>for a reasonable period of time</u>. Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of financial statements as discussed in paragraph 2, the preparation of the financial statements requires management to assess the entity’s ability to continue as a going concern <u>for a reasonable period of time</u> even if the financial reporting framework does not include an explicit requirement to do so.</p>		
<p>5. Management’s assessment of the entity’s ability to continue as a going concern involves making a judgment, at a particular point in time, about inherently uncertain future outcomes of events or conditions. The following factors are relevant to that judgment:</p>	<p>5. Management’s assessment of the entity’s ability to continue as a going concern <u>for a reasonable period of time</u> involves making a judgment, at a particular point in time, about inherently uncertain future outcomes of <u>conditions or events—or conditions.</u> The following factors are relevant to that judgment:⁵</p>		<p>To include factors in U.S. GAAP.</p>
<p>The degree of uncertainty associated with the outcome of an event or condition increases</p>	<ul style="list-style-type: none"> The degree of uncertainty associated with the outcome of an <u>a</u> event or condition <u>or</u> 		

⁵ [FASB ASC 205-40-50-5](#)

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<p>significantly the further into the future an event or condition or the outcome occurs. For that reason, most financial reporting frameworks that require an explicit management assessment specify the period for which management is required to take into account all available information.</p>	<p><u>event</u> increases significantly the further into the future an a event or condition <u>or event</u> or the outcome occurs. For that reason, most financial reporting frameworks that require an explicit management assessment specify the period for which management is required to take into account all available information.</p>		
<ul style="list-style-type: none"> The size and complexity of the entity, the nature and condition of its business and the degree to which it is affected by external factors affect the judgment regarding the outcome of events or conditions. 	<ul style="list-style-type: none"> The size and complexity of the entity, the nature and condition of its business and the degree to which it is affected by external factors affect the judgment regarding the outcome of <u>conditions</u> <u>or events</u> or conditions. 		
<ul style="list-style-type: none"> Any judgment about the future is based on information available at the time at which the judgment is made. 	<ul style="list-style-type: none"> <u>Any judgment about the future is based on information available at the time at which the judgment is</u> 		

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<p>Subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made.</p>	<p>made <u>conditions or events that are known and reasonably knowable at the date that the financial statements are issued (or at the date that the financial statements are available to be issued).</u> Subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made.</p> <p>(Ref: par. A2b)</p>		
<i>Responsibilities of the Auditor</i>	<i>Responsibilities of the Auditor</i>		
<p>6. The auditor’s responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity’s ability to continue as a going concern. These</p>	<p>6. The auditor’s responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether</p>	<p>3. The auditor’s responsibility is to evaluate whether there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time. The auditor’s evaluation is based on the auditor’s knowledge of relevant conditions or events that exist at, or have occurred prior to, the date of the auditor’s report. Information about such conditions or events is obtained from the application of audit procedures</p>	<p>To align proposed standard to U.S. terminology</p>

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<p>responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity’s ability to continue as a going concern.</p>	<p><u>conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time</u> exists material uncertainty exists about the entity’s ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity’s ability to continue as a going concern. (Ref: <u>par. A2c</u>)</p>	<p>planned and performed to achieve audit objectives that are related to management’s assertions embodied in the financial statements being audited, as described in AU-C section 315, <i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i> (AICPA, <i>Professional Standards</i>).</p>	
<p>7. However, as described in ISA 200,⁶² the potential effects of inherent limitations on the auditor’s ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to</p>	<p>7. However, as described in <u>AU-C section ISA—200</u>,⁷² the potential effects of inherent limitations on the auditor’s ability to detect material misstatements are greater for future events or conditions that may cause an entity</p>	<p>4. As described in AU-C section 200, <i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards</i> (AICPA, <i>Professional Standards</i>), the potential effects of inherent limitations on the</p>	<p>To change terminology to the U.S. environment.</p>

⁶ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraphs A51–A52

⁷ AU-C section ~~ISA—200~~, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance ~~With International Standards on Auditing~~ Generally Accepted Auditing Standards*, paragraphs ~~A51A49–A502~~

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<p>continue as a going concern. The auditor cannot predict such future events or conditions. Accordingly, the absence of any reference to a material uncertainty about the entity’s ability to continue as a going concern in an auditor’s report cannot be viewed as a guarantee as to the entity’s ability to continue as a going concern.</p>	<p>to cease to continue as a going concern. The auditor cannot predict such future conditions or events or conditions. Accordingly, the absence of any reference to a material uncertainty<u>substantial doubt</u> about the entity’s ability to continue as a going concern <u>for a reasonable period of time</u> in an auditor’s report cannot be viewed as a guarantee as to the entity’s ability to continue as a going concern <u>for a reasonable period of time</u>.</p>	<p>auditor’s ability to detect material misstatements are particularly significant for future conditions or events that may cause an entity to cease to continue as a going concern. The auditor cannot predict such future conditions or events. The fact that the entity may cease to exist as a going concern subsequent to receiving a report from the auditor that does not refer to the auditor having substantial doubt, even within one year following the date of the financial statements, does not, in itself, indicate inadequate performance by the auditor. Accordingly, the absence of any reference to substantial doubt in an auditor’s report cannot be viewed as a guarantee as to the entity’s ability to continue as a going concern.</p>	
Effective Date	Effective Date		
<p>8. This ISA is effective for audits of financial statements for periods ending on or after December 15, 2016.</p>	<p>8. This <u>proposed ISA-SAS</u> is effective for audits of financial statements for periods ending on or after December 15, 2016_____.</p>	<p>5. This SAS is effective for audits of financial statements for periods ending on or after December 15, 2012.</p>	
Objectives	Objectives		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
9. The objectives of the auditor are:	9. The objectives of the auditor are:	6. The objectives of the auditor are to	
(a) To obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements;	<i>a.</i> To obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements;		
(b) To conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern; and	<i>b.</i> To conclude, based on the audit evidence obtained, whether <u>conditions or events that raise substantial doubt about an a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern for a reasonable period of time exist; and</u>	<i>a.</i> evaluate and conclude, based on the audit evidence obtained, whether there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time;	To align proposed standard to U.S. terminology
	<i>c.</i> <u>assess the possible financial statement effects, including the</u>	<i>b.</i> assess the possible financial statement effects, including the	To include an objective that

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	<u>adequacy of disclosure regarding the entity’s ability to continue as a going concern for a reasonable period of time; and</u>	adequacy of disclosure regarding uncertainties about the entity’s ability to continue as a going concern for a reasonable period of time; and	addresses disclosures. GAAP has explicit disclosure requirements.
(c) To report in accordance with this ISA.	e.d. To report in accordance with this ISA <u>SAS</u> .	c. determine the implications for the auditor’s report.	
	<u>9a. For purposes of this proposed SAS, the following term has the meaning attributed as follows:</u>	7. For purposes of this SAS, the following term has the meaning attributed as follows:	
	<u>Definition</u>		
	Reasonable period of time. A period of time <u>required by the applicable financial reporting framework or if no such requirement exists, the period of time is twelve months from the date of the financial statements being issued or available to be issued</u> (Ref: par. A2c).	Reasonable period of time. A period of time not to exceed one year beyond the date of the financial statements being audited.	To make clearer the period of the auditor’s responsibility and added application guidance paragraph to illustrate the periods contained in various financial reporting frameworks.
Requirements	Requirements		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
Risk Assessment Procedures and Related Activities	Risk Assessment Procedures and Related Activities		
<p>10 When performing risk assessment procedures as required by ISA 315 (Revised),⁸ the auditor shall consider whether events or conditions exist that may cast significant doubt on the entity’s ability to continue as a going concern. In so doing, the auditor shall determine whether management has already performed a preliminary assessment of the entity’s ability to continue as a going concern, and: (Ref: Para. A3–A6)</p>	<p>10. When performing risk assessment procedures as required by <u>AU-C section ISA—315 (Revised)</u>,⁹ the auditor shall<u>should</u> consider whether <u>conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time exist</u>. In doing so, the auditor shall—should determine whether management has already performed a preliminary assessment of the <u>conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time</u>. events or conditions exist that may cast significant doubt on the entity’s ability to continue as a going concern. In so doing, the auditor shall determine whether management has already performed a preliminary assessment of the entity’s ability to continue as a going concern, and:</p>	<p>9. The auditor should consider whether the results of the procedures performed during the course of the audit identify conditions or events that, when considered in the aggregate, indicate there could be substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time. The auditor should consider the need to obtain additional information about such conditions or events, as well as the appropriate audit evidence to support information that mitigates the auditor’s doubt.</p>	<p>To align proposed standard to U.S. terminology</p>

⁸ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph [5](#)

⁹ AU-C section ISA—315 (Revised), *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, paragraph [5](#) ~~*Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph~~

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	(Ref: Para -par. A3a, A4a, A3–A6)		
<p>(a) If such an assessment has been performed, the auditor shall discuss the assessment with management and determine whether management has identified events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern and, if so, management’s plans to address them; or</p>	<p>a. If such an assessment has been performed, the auditor shall<u>should</u> discuss the assessment with management and determine whether management has identified events or conditions that, individually or collectively<u>in the aggregate</u>, may cast significant<u>raise substantial</u> doubt on the about<u>an</u> entity’s ability to continue as a going concern <u>for a reasonable period of time</u> and, if so, management’s plans to address them; or</p>		<p>To align proposed standard to U.S. terminology</p>
<p>(b) If such an assessment has not yet been performed, the auditor shall discuss with management the basis for the intended use of the going concern basis of accounting, and inquire of management whether events or conditions exist that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern.</p>	<p>b. If such an assessment has not yet been performed, the auditor shall<u>should</u> discuss with management the basis for the intended use of the going concern basis of accounting, and inquire of management whether events or conditions exist that, individually or <u>in the aggregate</u>collectively, may cast significant<u>raise substantial</u> doubt on the about<u>an</u> entity’s ability to continue as a going concern <u>for a reasonable period of time</u>.</p>		

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<p>11. The auditor shall remain alert throughout the audit for audit evidence of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. (Ref: Para. A7)</p>	<p>11. The auditor shall<u>should</u> remain alert throughout the audit for audit evidence of <u>conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time</u>events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. (Ref: Para.<u>par.</u> A7)</p>		<p>To align proposed standard to U.S. terminology</p>
<p>Evaluating Management’s Assessment</p>	<p>Evaluating Management’s Assessment</p>		
<p>12. The auditor shall evaluate management’s assessment of the entity’s ability to continue as a going concern. (Ref: Para. A8–A10, A12–A13)</p>	<p>12. The auditor shall<u>should</u> evaluate management’s assessment <u>of whether there are conditions or events that raise substantial doubt of the about an</u> entity’s ability to continue as a going concern <u>for a reasonable period of time exist.</u> (Ref: Para.<u>par.</u> A8–A10, A12–A13)</p>	<p>10. If, after considering the identified conditions or events in the aggregate, the auditor believes there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time, the auditor should obtain information about management’s plans that are intended to mitigate the adverse effects of such conditions or events. The auditor should</p> <ul style="list-style-type: none"> a. assess whether it is likely that the adverse effects would be mitigated by management’s plans for a reasonable period of 	<p>To align proposed standard to U.S. terminology</p>

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		<p>time;</p> <p>b. identify those elements of management’s plans that are particularly significant to overcoming the adverse effects of the conditions or events and plan and perform procedures to obtain audit evidence about them, including, when applicable, considering the adequacy of support regarding the ability to obtain additional financing or the planned disposal of assets; and</p> <p>c. assess whether it is likely that such plans can be effectively implemented. (Ref: par. A3)</p>	
<p>13. In evaluating management’s assessment of the entity’s ability to continue as a going concern, the auditor shall cover the same period as that used by management to make its</p>	<p>13. In evaluating management’s assessment of the whether <u>conditions or events that raise substantial doubt exist about an</u> entity’s ability to continue as a going concern <u>for a reasonable</u></p>		<p>To align proposed standard to U.S. terminology and include <u>incremental requirement to address the minimum period the auditor is required to address in the U.S.</u></p>

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<p>assessment as required by the applicable financial reporting framework, or by law or regulation if it specifies a longer period. If management’s assessment of the entity’s ability to continue as a going concern covers less than twelve months from the date of the financial statements as defined in ISA 560,⁴¹⁰ the auditor shall request management to extend its assessment period to at least twelve months from that date. (Ref: Para. A11–A13)</p>	<p><u>period of time</u>, the auditor shall<u>should</u> cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation if it specifies a longer period. If management’s assessment of the entity’s ability to continue as a going concern covers less than twelve months from the date of the financial statements as defined in AUC section 560,¹¹ the auditor shall request management to extend its assessment period to at least twelve months from that date. (Ref: Para. par. 24, A2c11–A12–A13)</p>		<p>environment.</p>
<p>14. In evaluating management’s assessment, the auditor shall consider whether management’s assessment includes all relevant information of which the auditor is aware as a result of the audit.</p>	<p>14. In evaluating management’s assessment, the auditor shall<u>should</u> consider whether management’s assessment includes all relevant information of which the auditor is aware as a result of the audit.</p>		
<p>Period beyond Management’s Assessment</p>	<p>Period beyond Management’s Assessment</p>		
<p>15. The auditor shall inquire of management as to its knowledge of</p>	<p>15. The auditor shall<u>should</u> inquire of management as to its</p>		<p>To align proposed standard to U.S.</p>

¹⁰ ISA 560, *Subsequent Events*, paragraph 5(a)

¹¹ ~~ISA AU-C section 560, *Subsequent Events*, paragraph 5(a)~~

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<p>events or conditions beyond the period of management’s assessment that may cast significant doubt on the entity’s ability to continue as a going concern. (Ref: Para. A14–A15)</p>	<p>knowledge of <u>conditions or events</u> events or conditions beyond the period of management’s assessment that raise may cast significant doubt <u>substantial doubt</u> on <u>about</u> the entity’s ability to continue as a going concern. (Ref: Para-par. A14–A15)</p>		<p>terminology</p>
<p>Additional Audit Procedures When Events or Conditions Are Identified</p>	<p>Additional Audit Procedures When Events or Conditions Are Identified</p>		
<p>16. If events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern, the auditor shall obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern (hereinafter referred to as “material uncertainty”) through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include: (Ref: Para. A16)</p>	<p>16. If events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern, the <u>The auditor should obtain sufficient appropriate audit evidence to determine whether the conditions and events identified raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time shall obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern (hereinafter referred</u></p>		<p>To align proposed standard to U.S. terminology</p>

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	<p>to as “material uncertainty”) throughby performing additional audit procedures, including consideration of mitigating factors. These procedures shallshould include: (Ref: Parapar. A16)</p>		
<p>(a) Where management has not yet performed an assessment of the entity’s ability to continue as a going concern, requesting management to make its assessment.</p>	<p>a. Where management has not yet performed an assessmentassessment of the entity’s ability to continue as a going concern, requesting management to make itsan assessment.</p>		
<p>(b) Evaluating management’s plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management’s plans are feasible in the circumstances. (Ref: Para. A17)</p>	<p>b. Evaluating management’s plans for future actionsin relation to its going concern assessment, whether theit <u>is probable management’s plans will be effectively implemented,</u> outcome of these plans is likely toprobable and <u>is probable</u> the plans will mitigate the relevant conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of timeimprove the situation and whether management’s plans are feasible in the circumstances. (Ref: par. A17)</p>		<p>To align to US GAAP language.</p>

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
(c) Where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management’s plans for future actions: (Ref: Para. A18–A19)	c. Where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions <u>or events</u> in the evaluation of management’s plans for future actions: (Ref: Para-par. A18–A19)	11. When prospective financial information is particularly significant to management’s plans, the auditor should request management to provide that information and should consider the adequacy of support for significant assumptions underlying that information. The auditor should give particular attention to assumptions that are	
(i) Evaluating the reliability of the underlying data generated to prepare the forecast; and	i. Evaluating the reliability of the underlying data generated to prepare the forecast; and	<ul style="list-style-type: none"> • material to the prospective financial information. 	
(ii) Determining whether there is adequate support for the assumptions underlying the forecast.	i. Determining whether there is adequate support for the assumptions underlying the forecast.	<ul style="list-style-type: none"> • especially sensitive or susceptible to change. • inconsistent with historical trends. 	
(d) Considering whether any additional facts or information have become available since the date on which management made its assessment.	d. Considering whether any additional facts or information have become available since the date on which management made its assessment.	The auditor’s consideration should be based on knowledge of the entity, its business, and its management and should include	
(e) Requesting written representations from management and, where appropriate, those charged with governance, regarding their plans for future actions and the feasibility of these	Requesting written representations from management and, where appropriate, those charged with governance, regarding their plans for future actions and the feasibility of these plans. (Ref:	(a) reading the prospective financial information and the underlying assumptions and (b) comparing prospective financial information from prior periods with actual results and comparing prospective information for the current period with results	

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
plans. (Ref: Para. A20)	Para. A20)	achieved to date. If the auditor becomes aware of factors, the effects of which are not reflected in such prospective financial information, the auditor should discuss those factors with management and, if necessary, request revision of the prospective financial information.	
	<u>Written Representations</u>		
	<p><u>16a. If the auditor believes, before consideration of management’s plans pursuant to paragraph 12 of this proposed SAS, substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time exists, the auditor should obtain written representations from management</u></p> <p><u>a. regarding its plans that are intended to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time and the likelihood that those plans can be effectively implemented, and</u></p> <p><u>b. that the financial</u></p>	<p>14. If the auditor believes, before consideration of management’s plans pursuant to paragraph 10 of this SAS, there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time, the auditor should obtain written representations from management</p> <p>a. regarding its plans that are intended to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time and the likelihood that those plans can be effectively implemented, and</p> <p>b. that the financial statements disclose all the matters of which management is aware that are relevant to the entity’s ability to continue as a going concern, including principal conditions or events and management’s plans.</p>	<p>It was decided that paragraph 14 of extant AU-C section 570 was important to retain.</p>

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<u>statements disclose all the matters of which management is aware that are relevant to the entity’s ability to continue as a going concern for a reasonable period of time, including principal conditions or events and management’s plans.</u> (Ref: par. A20)		
Auditor Conclusions	Auditor Conclusions		
17. The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained regarding, and shall conclude on, the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements.	17. The auditor shall <u>should</u> evaluate whether sufficient appropriate audit evidence has been obtained regarding, and shall <u>should</u> conclude on, the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements.		
18. Based on the audit evidence obtained, the auditor shall conclude whether, in the auditor’s judgment, a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern. A material uncertainty exists when the	18. Based on the audit evidence obtained, the auditor shall <u>should</u> conclude whether, in the auditor’s judgment, <u>conditions or events, considered in the aggregate, exist that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time</u> a material uncertainty exists related to events		Definition of material uncertainty deleted because the term is not used or defined in U.S. GAAP. Aligned terminology to U.S. environment.

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<p>magnitude of its potential impact and likelihood of occurrence is such that, in the auditor’s judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for: (Ref: Para. A21 □ A22)</p>	<p>or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern. A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor’s judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for:: (Ref: <u>Para.par. A21–A22</u>)</p>		
<p>(a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or</p>	<p>In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or</p>		<p>Not needed as we do not distinguish between fair presentation and compliance framework.</p>
<p>(b) In the case of a compliance framework, the financial statements not to be misleading.</p>	<p>In the case of a compliance framework, the financial statements not to be misleading.</p>		
<p><i>Adequacy of Disclosures When Events or Conditions Have Been Identified and a Material Uncertainty Exists</i></p>	<p><i>Adequacy of Disclosures When Events or Conditions or Events Have Been Identified and a Material Uncertainty <u>Substantial Doubt</u> Exists</i></p>		
<p>19. If the auditor concludes that management’s use of the going concern basis of accounting is</p>	<p>19. If the auditor concludes that management’s use of the going concern basis of accounting is</p>		<p>To align proposed standard to U.S. terminology and make the</p>

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<p>appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial statements: (Ref: Para. A22–A23)</p>	<p>appropriate in the circumstances but <u>substantial doubt exists</u> about an entity’s ability to continue as a going concern material uncertainty for a reasonable period of time exists, the auditor shall <u>should determine</u> evaluate the <u>adequacy of whether the financial statement</u> financial statements disclosures required by the applicable financial reporting framework: (Ref Parapar. A21–A23a)</p>		<p>requirement more generic to allow for different financial reporting frameworks.</p>
<p>(a) Adequately disclose the principal events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and management’s plans to deal with these events or conditions; and</p>	<p>Adequately disclose the principal events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and management’s plans that are intended to mitigate the conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern to deal with these events or conditions; and</p>		
<p>(b) Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going</p>	<p>Disclose clearly in a statement that there is a material uncertainty related to events or conditions that may cast significant doubt</p>		

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concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.	on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.		
<i>Adequacy of Disclosures When Events or Conditions Have Been Identified but No Material Uncertainty Exists</i>	<i>Adequacy of Disclosures When Events or Conditions or <u>Events Have Been Identified but No Material Uncertainty</u> <u>Substantial Doubt Exists</u></i>		
20. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures about these events or conditions. (Ref: Para. A24–A25)	20. If events or conditions or <u>events have been identified that may cast raise significant substantial doubt on</u> about the entity's ability to continue as a going concern <u>for a reasonable period of time</u> but, based on the audit evidence obtained, the auditor concludes, that no material uncertainty <u>substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time exists</u> <u>has been alleviated by management's plans,</u> the auditor shall <u>should</u> evaluate the <u>adequacy of the financial statement disclosures required by the applicable financial reporting</u>	13. When the auditor concludes, primarily because of the auditor's consideration of management's plans, that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time has been alleviated, the auditor should consider the need for, and evaluate the adequacy of, disclosure of the principal conditions or events that initially caused the auditor to believe there was substantial doubt. The auditor's consideration of disclosure should include the possible effects of such conditions or events, and any mitigating	To align proposed standard to U.S. terminology.

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	framework evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures about these events or conditions. (Ref: Para.par. A24–A25)	factors, including management’s plans.	
Implications for the Auditor’s Report	Implications for the Auditor’s Report		
<i>Use of Going Concern Basis of Accounting Is Inappropriate</i>	<i>Use of Going Concern Basis of Accounting Is Inappropriate</i>		
21. If the financial statements have been prepared using the going concern basis of accounting but, in the auditor’s judgment, management’s use of the going concern basis of accounting in the preparation of the financial statements is inappropriate, the auditor shall express an adverse opinion. (Ref: Para. A26–A27)	21. If the financial statements have been prepared using the going concern basis of accounting but, in the auditor’s judgment, management’s use of the going concern basis of accounting in the preparation of the financial statements is inappropriate, the auditor shall <u>should</u> express an adverse opinion. (Ref: Para.par. A26–A27a)		
<i>Use of Going Concern Basis of Accounting Is Appropriate but a Material Uncertainty Exists</i>	<i>Use of Going Concern Basis of Accounting Is Appropriate but Material UncertaintySubstantial <u>Doubt</u> ExistsMaterial Uncertainty Exists</i>		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements			
22. If adequate disclosure about the material uncertainty is made in the financial statements, the auditor shall express an unmodified opinion and the auditor’s report shall include a separate section under the heading “Material Uncertainty Related to Going Concern” to: (Ref: Para. A28–A31, A34)	22. If adequate disclosure about the material uncertainty is made in the financial statements, the auditor shall express an unmodified opinion and the auditor’s report shall include a separate section under the heading “Material Uncertainty Related to Going Concern” to: (Ref: Para. A28–A31, A34)		Paragraph 22 of ISA 570 is not relevant within the US GAAS reporting scheme.
	<u>22a. If, after considering identified conditions or events and management’s plans, the auditor concludes that substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time remains, the auditor should include an emphasis-of-matter paragraph¹² in the auditor’s report to reflect that conclusion. (Ref: par. A27c)</u>	15. If, after considering identified conditions or events and management’s plans, the auditor concludes that substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time remains, the auditor should include an emphasis-of-matter paragraph ¹³ in the auditor’s report to reflect that conclusion.	To retain existing reporting model in situations where the auditor concludes an emphasis matter is appropriate.

¹² Paragraphs .06–.07 of AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report* (AICPA, Professional Standards), address requirements concerning emphasis-of-matter paragraphs.

¹³ Paragraphs .06–.07 of AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report* (AICPA, Professional Standards), address requirements concerning emphasis-of-matter paragraphs.

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<p><u>22b.</u> The auditor’s conclusion about the entity’s ability to continue as a going concern for a reasonable period of time should be expressed through the use of terms required by the applicable financial reporting framework. In a going-concern emphasis-of-matter paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time. (Ref: par. A27b)</p>	<p>16. The auditor’s conclusion about the entity’s ability to continue as a going concern should be expressed through the use of the phrase "substantial doubt about its (the entity’s) ability to continue as a going concern" or similar wording that includes the terms <i>substantial doubt</i> and <i>going concern</i>. In a going-concern emphasis-of-matter paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity’s ability to continue as a going concern.</p>	<p>To retain existing reporting model in situations where the auditor concludes an emphasis matter is appropriate.</p>
<p>(a) Draw attention to the note in the financial statements that discloses the matters set out in paragraph 19; and</p>	<p>Draw attention to the note in the financial statements that discloses the matters set out in paragraph 19; and</p>		
<p>(b) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern and that the auditor’s opinion is not modified in respect of the matter.</p>	<p>State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern and that the auditor’s opinion is not modified in respect of the matter.</p>		

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Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements	<u>Adequate Disclosure of Substantial Doubt Is Not Made in the Financial Statements</u> Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements		
23. If adequate disclosure about the material uncertainty is not made in the financial statements, the auditor shall: (Ref: Para. A32–A34)	23. If adequate disclosure about the material uncertainty <u>substantial doubt about an entity's ability to continue as a going concern</u> for a reasonable period of time is not made in the financial statements, the auditor shall <u>should express a qualified opinion or adverse opinion, as appropriate, in accordance with AU-C section 705 (Revised);¹⁴</u> : (Ref: Para-par. A32–A34)	17. If the auditor concludes that the entity's disclosures with respect to the entity's ability to continue as a going concern for a reasonable period of time are inadequate, the auditor should modify the opinion in accordance with AU-C section 705, <i>Modifications to the Opinion in the Independent Auditor's Report (AICPA, Professional Standards)</i> .	To align proposed standard to U.S. reporting.
(a) Express a qualified opinion or adverse opinion, as appropriate, in accordance with ISA 705 (Revised); ¹⁵ and	a. Express a qualified opinion or adverse opinion, as appropriate, in accordance with ISA 705 (Revised);¹⁶ and		
(b) In the Basis for Qualified (Adverse) Opinion section of the auditor's report, state that a material uncertainty exists that may cast significant doubt on the	In the Basis for Qualified (Adverse) Opinion section of the auditor's report, state that a material uncertainty exists that may cast significant doubt on the entity's		Paragraph 22 of ISA 570 is not relevant within the US GAAS reporting scheme.

¹⁴ AU-C section 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹⁵ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

~~¹⁶ AU-C section 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*~~

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entity's ability to continue as a going concern and that the financial statements do not adequately disclose this matter.	ability to continue as a going concern and that the financial statements do not adequately disclose this matter.		
	23b. <u>Nothing in this SAS precludes an auditor from disclaiming an opinion in cases involving uncertainties. When the auditor disclaims an opinion, the report should not include the going-concern emphasis-of-matter paragraph described in paragraph 22a of this SAS but, rather, describe the substantive reasons for the auditor's disclaimer of opinion in the auditor's report as required by AU-C section 705.¹⁷ The auditor should consider the adequacy of disclosure of the uncertainties and their possible effects on the financial statements as described in paragraphs 19 and 20 of this SAS even when disclaiming an opinion.</u>	18. Nothing in this SAS precludes an auditor from disclaiming an opinion in cases involving uncertainties. When the auditor disclaims an opinion, the report should not include the going-concern emphasis-of-matter paragraph described in paragraph 15 of this SAS but, rather, describe the substantive reasons for the auditor's disclaimer of opinion in the auditor's report as required by AU-C section 705. ¹⁸ The auditor should consider the adequacy of disclosure of the uncertainties and their possible effects on the financial statements as described in paragraph 12 of this SAS even when disclaiming an opinion.	To retain guidance from extant standard and retain current reporting model.
	<u>Comparative Presentations</u>	Comparative Presentations	
	23c. <u>If substantial doubt about the entity's ability to continue as a going concern for a</u>	20. If substantial doubt about the entity's ability to continue as a going concern for a reasonable	To retain guidance from extant standard and retain current

¹⁷ Paragraph .17 of AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report* (AICPA, Professional Standards).

¹⁸ Paragraph .17 of AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report* (AICPA, Professional Standards).

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	<p><u>reasonable period of time existed at the date of prior period financial statements that are presented on a comparative basis, and that doubt has been removed in the current period, the going-concern emphasis-of-matter paragraph included in the auditor’s report on the financial statements of the prior period should not be repeated. (Ref: par. A9)</u></p>	<p>period of time existed at the date of prior period financial statements that are presented on a comparative basis, and that doubt has been removed in the current period, the going-concern emphasis-of-matter paragraph included in the auditor’s report on the financial statements of the prior period should not be repeated. (Ref: par. A9)</p>	<p>reporting model.</p>
	<p><u>Eliminating a Going-Concern Emphasis-of-Matter Paragraph From a Reissued Report (Ref: par. A10–A11)</u></p>	<p>Eliminating a Going-Concern Emphasis-of-Matter Paragraph From a Reissued Report (Ref: par. A10–A11)</p>	
	<p><u>23d.</u> The auditor may be requested to reissue an auditor’s report and eliminate a going-concern emphasis-of-matter paragraph contained therein. <u>Although an auditor has no obligation to reissue the report, if the auditor decides to reissue the report, the auditor should reassess the going-concern status of the entity by</u></p> <p style="padding-left: 40px;"><u>a. performing audit procedures related to the event or transaction that prompted the</u></p>	<p>21. The auditor may be requested to reissue an auditor’s report and eliminate a going-concern emphasis-of-matter paragraph contained therein. Although an auditor has no obligation to reissue the report, if the auditor decides to reissue the report, the auditor should reassess the going-concern status of the entity by</p> <p style="padding-left: 40px;">a. performing audit procedures related to the event or transaction that prompted the</p>	<p>To retain guidance from extant standard and retain current reporting model.</p>

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	<p><u>request to reissue the report without the going-concern emphasis-of-matter paragraph.</u></p> <p><u>b. performing the procedures listed in AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i> (AICPA, <i>Professional Standards</i>), at or near the date of reissuance.¹⁹</u></p> <p><u>c. considering the matters described in paragraphs 16 and 16a of this SAS based on the conditions or circumstances at the date of reissuance.</u></p> <p><u>d. considering the implications for the auditor’s report in accordance with AU-C section 560.²⁰</u></p>	<p>request to reissue the report without the going-concern emphasis-of-matter paragraph.</p> <p>b. performing the procedures listed in AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i> (AICPA, <i>Professional Standards</i>), at or near the date of reissuance.²¹</p> <p>c. considering the matters described in paragraphs 9–11 and 14 of this SAS based on the conditions or circumstances at the date of reissuance.</p> <p>d. considering the implications for the auditor’s report in accordance with AU-C section 560.²²</p>	

¹⁹ Paragraphs .09–.10 of AU-C section 560, *Subsequent Events and Subsequently Discovered Facts* (AICPA, *Professional Standards*).

²⁰ Paragraph .13 of AU-C section 560.

²¹ Paragraphs .09–.10 of AU-C section 560, *Subsequent Events and Subsequently Discovered Facts* (AICPA, *Professional Standards*).

²² Paragraph .13 of AU-C section 560.

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Management Unwilling to Make or Extend Its Assessment	Management Unwilling to Make or Extend Its Assessment		
24. If management is unwilling to make or extend its assessment when requested to do so by the auditor, the auditor shall consider the implications for the auditor’s report. (Ref: Para. A35)	24. If management is unwilling to make or extend its assessment when requested to do so by the auditor, the auditor shall <u>should</u> consider the implications for the auditor’s report. (Ref: Parapar. A33)		
Communication with Those Charged with Governance	Communication with Those Charged with Governance		
25. Unless all those charged with governance are involved in managing the entity, ²³ the auditor shall communicate with those charged with governance events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern. Such communication with those charged with governance shall include the	25. Unless all those charged with governance are involved in managing the entity, ²⁴ the auditor shall <u>should</u> communicate with those charged with governance <u>conditions and events, considered in the aggregate, that exist that raise substantial doubt about an or conditions identified that may may cast significant doubt on</u> entity’s ability to continue as a going concern <u>for a reasonable period of time</u> . Such communication with	19. If, after considering identified conditions or events in the aggregate and after considering management’s plans, the auditor concludes that substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time remains, the auditor should communicate the following to those charged with governance: a. The nature of the	To align proposed standard to U.S. terminology.

²³ ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraph 13

²⁴ ~~ISA 260 (Revised)~~AU-C 260, The Auditor’s Communication wWith Those Charged ~~wW~~ith Governance, paragraph ~~913~~

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following:	those charged with governance shall <u>should</u> include the following:	<p>conditions or events identified</p> <p><i>b.</i> The possible effect on the financial statements and the adequacy of related disclosures in the financial statements</p> <p><i>c.</i> The effects on the auditor’s report</p>	
(a) Whether the events or conditions constitute a material uncertainty;	<i>a.</i> Whether the <u>conditions andor events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time constitute substantial doubt</u> or conditions constitute a material uncertainty; material uncertainty;		To align proposed standard to U.S. terminology.
(b) Whether management’s use of the going concern basis of accounting is appropriate in the preparation of the financial statements;	<i>b.</i> Whether management’s use of the going concern basis of accounting is appropriate in the preparation of the financial statements;		
(c) The adequacy of related disclosures in the financial statements; and	<i>c.</i> The adequacy of related disclosures in the financial statements; and		
(d) Where applicable, the implications for the auditor’s	<i>d.</i> Where applicable, the implications for the auditor’s		

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report.	report.		
Significant Delay in the Approval of Financial Statements	Significant Delay in the Approval of Financial Statements		
<p>26. If there is significant delay in the approval of the financial statements by management or those charged with governance after the date of the financial statements, the auditor shall inquire as to the reasons for the delay. If the auditor believes that the delay could be related to events or conditions relating to the going concern assessment, the auditor shall perform those additional audit procedures necessary, as described in paragraph 16, as well as consider the effect on the auditor’s conclusion regarding the existence of a material uncertainty, as described in paragraph 18.</p>	<p>26. If there is significant delay in the approval of the financial statements by management or those charged with governance after the date of the financial statements, the auditor shall<u>should</u> inquire as to the reasons for the delay. If the auditor believes that the delay could be related to events<u>or events</u> relating to the going concern assessment, the auditor shall<u>should</u> perform those additional audit procedures necessary, as described in paragraph 16, as well as consider the effect on the auditor’s conclusion regarding the existence of a material uncertainty<u>substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time</u>, as described in paragraph 18. . (Ref: <u>par. A35a</u>)</p>		<p>To align proposed standard to U.S. terminology.</p>
		Documentation	
		22. If the auditor believes, before consideration of	Documentation requirement is not

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		<p>management’s plans pursuant to paragraph 10 of this SAS, there is substantial doubt about the ability of the entity to continue as a going concern for a reasonable period of time, the auditor should document the following:</p> <ul style="list-style-type: none"> <li data-bbox="1115 526 1465 846">a. The conditions or events that led the auditor to believe that there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time. <li data-bbox="1115 870 1465 1154">b. The elements of management’s plans that the auditor considered to be particularly significant to overcoming the adverse effects of the conditions or events. <li data-bbox="1115 1179 1465 1349">c. The audit procedures performed to evaluate the significant elements of management’s plans and evidence obtained. <li data-bbox="1115 1373 1335 1408">d. The auditor’s 	<p>considered necessary because GAAP now requires management to make an evaluation of going concern and make the required disclosures under GAAP. The auditor’s responsibility is to obtain audit evidence about management’s assessment and evaluate the adequacy of the financial statement disclosures.</p>

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		<p>conclusion as to whether substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time remains or is alleviated. If substantial doubt remains, the auditor also should document the possible effects of the conditions or events on the financial statements and the adequacy of the related disclosures. If substantial doubt is alleviated, the auditor also should document the auditor’s conclusion as to the need for, and, if applicable, the adequacy of, disclosure of the principal conditions or events that initially caused the auditor to believe there was substantial doubt.</p> <p>e. The auditor’s conclusion with respect to the effects on the auditor’s report.</p>	

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Application and Other Explanatory Material	Application and Other Explanatory Material		
Scope of this ISA (Ref: Para 1)	Scope of this ISA (Ref: Para 1)		
A1. ISA 701 ²⁵ deals with the auditor’s responsibility to communicate key audit matters in the auditor’s report. That ISA acknowledges that, when ISA 701 applies, matters relating to going concern may be determined to be key audit matters, and explains that a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern is, by its nature, a key audit matter. ²⁶	A1. ISA 701²⁷ deals with the auditor’s responsibility to communicate key audit matters in the auditor’s report. That ISA acknowledges that, when ISA 701 applies, matters relating to going concern may be determined to be key audit matters, and explains that a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern is, by its nature, a key audit matter.²⁸		Not applicable as of yet. This will be part of the overall Auditor’s Report projects
	<u>Going Concern Basis of Accounting (Ref: par. 2)</u>		
	A1a. The applicable financial reporting framework might contain explicit requirements in regards to		Incremental guidance useful to auditors in the U.S. environment.

²⁵ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

²⁶ See paragraphs 15 and A41 of ISA 701.

~~²⁷ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*~~

~~²⁸ See paragraphs 15 and A41 of ISA 701.~~

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	<p><u>when the liquidation basis of accounting is appropriate. For example, GAAP requires that if and when an entity’s liquidation becomes imminent, financial statements should be prepared under the liquidation basis.</u>²⁹</p>		
<p>Going Concern Basis of Accounting (Ref: Para. 2)</p>	<p>Going Concern Basis of Accounting (Ref: Para.par. 2)</p>		
<p><i>Considerations Specific to Public Sector Entities</i></p>	<p><i>Considerations Specific to Public Sector Entities</i></p>		
<p>A2. Management’s use of the going concern basis of accounting is also relevant to public sector entities. For example, International Public Sector Accounting Standard (IPSAS) 1 addresses the issue of the ability of public sector entities to continue as going concerns.³⁰ Going concern risks may arise, but are not limited to, situations where public sector entities operate on a for-profit basis, where government support may be reduced or withdrawn, or in the case of privatization. Events or conditions that may cast significant doubt on</p>	<p>A2. Management’s use of the going concern basis of accounting is also relevant to public sector entities. For example, Standards Board<u>GASB statement No. 56 (GASB Statement No. 56), Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards International Public Sector Accounting Standard (IPSAS) 1</u> addresses the issue of the ability of public sector entities to continue as <u>a going concern</u> concerns for a</p>		<p>To align proposed standard to U.S. terminology.</p>

²⁹ FASB ASC 205-40-05-01

³⁰ IPSAS 1, *Presentation of Financial Statements*, paragraphs 38–41

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<p>an entity’s ability to continue as a going concern in the public sector may include situations where the public sector entity lacks funding for its continued existence or when policy decisions are made that affect the services provided by the public sector entity.</p>	<p><u>reasonable period of time.</u>³¹ Going concern risks may arise, but are not limited to, situations where public sector entities operate on a for-profit basis, where government support may be reduced or withdrawn, or in the case of privatization. <u>Conditions or events that raise substantial doubt about an</u> Events or conditions that may cast significant doubt on an entity’s ability to continue as a going concern <u>for a reasonable period of time</u> in the public sector may include situations where the public sector entity lacks funding for its continued existence or when policy decisions are made that affect the services provided by the public sector entity.</p>		
	<p><u>Responsibility for Assessment of the Entity’s Ability to Continue as a Going Concern (Ref: par. 3)</u></p>		
	<p><u>A2a. GAAP defines substantial doubt about an entity’s ability to continue as a going concern as follows:</u></p> <p style="padding-left: 40px;"><u>Substantial doubt about an</u></p>		<p>Incremental guidance useful for auditors in the U.S. environment.</p>

³¹ GASB Statement No. 56, paragraphs 16-19, IPSAS 1, Presentation of Financial Statements, paragraphs 38-41

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	<p><u>entity’s ability to continue as a going concern exists when conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). The term <i>probable</i> is used consistently with its use in <u>topic 450 on contingencies.</u>³²</u></p> <p><u>Other applicable financial reporting frameworks may use different terms that are similar to substantial doubt, for example, International Accounting Standards (IAS), uses the terms <i>material uncertainty and significant doubt</i>. Also, other applicable financial reporting frameworks may not use <i>probable</i> as its threshold. For example, IAS uses <i>may cast</i></u></p>		

³²FASB ASC 205-40-20.

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	<p><u>significant doubt on the entity’s ability to continue as a going concern. This SAS uses the terminology of GAAP and GASB but if performing an audit under another applicable financial reporting framework, the requirements and application guidance may need to be adapted as necessary.</u></p>		
	<p><u>A2b. In addition to the factors enumerated in paragraph 5, GAAP includes the following factors:³³</u></p> <ul style="list-style-type: none"> • <u>The entity’s current financial condition, including its liquidity sources at the date that the financial statements are issued (for example, available liquid funds and available access to credit</u> • <u>The entity’s conditional and unconditional obligations due or anticipated within one year after the date that the financial statements are issued (regardless of whether those obligations</u> 		<p>Incremental guidance added to align with U.S. GAAP.</p>

³³ FASB ASC 205-40-50-5

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	<p><u>are recognized in the entity's financial statements)</u></p> <ul style="list-style-type: none"> • <u>The funds necessary to maintain the entity's operations considering its current financial condition, obligations, and other expected cash flows within one year after the date that the financial statements are issued</u> <p><u>The other conditions and events, when considered in conjunction with the items above that may adversely affect the entity's ability to meet its obligations within one year after the date the financial statements are issued.</u></p>		
	<p><u>Definition (Ref: par. 6, 9a)</u></p>		
	<p><u>A2c. Most financial reporting frameworks requiring an explicit management assessment specify the period for which management is required to take into account all available information that is known or reasonably knowable, that is, a reasonable period of time. For example, the following financial</u></p>		<p>Incremental guidance added to align with U.S. GAAP.</p>

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	<p><u>reporting frameworks specify a reasonable period of time as follows:</u></p> <ul style="list-style-type: none"> • <u>GAAP – one year after the date that the financial statements are issued (or available to be issued, when applicable).³⁴</u> • <u>GASB – one year beyond the financial statement date. GASB further requires that if there is information currently known to the governmental entity that may raise substantial doubt shortly thereafter (for example, within an additional 3 months), such information also should be considered.³⁵</u> • <u>IAS – is at least, but is not limited to, one year from the end of the reporting period (i.e. financial statement date).³⁶</u> 		

³⁴ FASB ASC 205-40-50-1

³⁵ Paragraph 16 of GASB No. 56.

³⁶ Paragraph 26 of International Accounting Standards (IAS) No 1

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Risk Assessment Procedures and Related Activities	Risk Assessment Procedures and Related Activities	Evaluating Whether Substantial Doubt Exists	
<i>Events or Conditions That May Cast Significant Doubt on the Entity's Ability to Continue as a Going Concern (Ref: Para. 10)</i>	<i>Conditions Or Events That May Raise Substantial Doubt About an Entity's Ability To Continue as a Going Concern Events or Conditions That May Cast Significant Doubt on the Entity's Ability to Continue as a Going Concern (Ref: Para.par. 10)</i>	Identifying Conditions or Events That Indicate Substantial Doubt Could Exist (Ref: par. 9)	
		A1. It is not necessary to design audit procedures solely to identify conditions or events that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The results of audit procedures designed and performed to identify and assess risk in accordance with AU-C section 315, gather audit evidence in response to assessed risks in accordance with AU-C section 330, <i>Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained</i> (AICPA, <i>Professional Standards</i>), and complete the audit are expected to	

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		<p>be sufficient for that purpose. The following are examples of procedures that may identify such conditions or events:</p> <ul style="list-style-type: none"> • Analytical procedures • Review of subsequent events • Review of compliance with the terms of debt and loan agreements • Reading of minutes of meetings of stockholders, board of directors, and important committees of the board • Inquiry of an entity’s legal counsel about litigation, claims, and assessments <p>Confirmation with related and third parties of the details of arrangements to provide or maintain financial support</p>	
<p>A3. The following are examples of events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a</p>	<p>A3. The following are examples of events or <u>adverse conditions</u> and events that, individually or collectively, may cast raise <u>significant doubt</u> substantial doubt</p>	<p>A2. In performing audit procedures such as those described in paragraph A1 of this SAS, the auditor may identify information about certain conditions or events</p>	<p>To align proposed standard to U.S. terminology and use factors listed in U.S.GAAP.</p>

ISA 570	Proposed SAS	SAS 126	Comments
<p>going concern. This listing is not all-inclusive nor does the existence of one or more of the items always signify that a material uncertainty exists.</p> <p>Financial</p> <ul style="list-style-type: none"> • Net liability or net current liability position. • Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short-term borrowings to finance long-term assets. • Indications of withdrawal of financial support by creditors. • Negative operating cash flows indicated by historical or 	<p>on about the an entity's ability to continue as a going concern <u>for a reasonable period of time as set out in GAAP.</u>³⁷ This listing is not all-inclusive nor does the existence of one or more of the items always signify <u>determine</u> that a material uncertainty <u>substantial doubt</u> exists. <u>Similarly, the absence of these conditions or events does not determine that substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time does not exist.</u></p> <ul style="list-style-type: none"> • <u>Negative financial trends, for example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, and other adverse key financial ratios</u> • <u>Other indications of possible financial difficulties, for example, default on loans or similar agreements, arrearages</u> 	<p>that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The significance of such conditions or events will depend on the circumstances, and some conditions or events may have significance only when viewed in conjunction with others. The following are examples of such conditions or events:</p> <ul style="list-style-type: none"> • <i>Negative trends</i>—for example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, adverse key financial ratios • <i>Other indications of possible financial difficulties</i>—for example, default on loan or similar agreements, arrearages in dividends, denial of 	

³⁷ FASB ASC 205-40-55-2.

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<p>prospective financial statements.</p> <ul style="list-style-type: none"> • Adverse key financial ratios. • Substantial operating losses or significant deterioration in the value of assets used to generate cash flows. • Arrears or discontinuance of dividends. • Inability to pay creditors on due dates. • Inability to comply with the terms of loan agreements. • Change from credit to cash-on-delivery transactions with suppliers. • Inability to obtain financing for essential new product development or other 	<p><u>in dividends, denial of usual trade credit from suppliers, a need to restructure debt to avoid default, noncompliance with statutory capital requirements, and a need to seek new sources or methods of financing or to dispose of substantial assets</u></p> <ul style="list-style-type: none"> • <u>Internal matters, for example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project, uneconomic long-term commitments, and a need to significantly revise operations</u> • <u>External matters, for example, legal proceedings, legislation, or similar matters that might jeopardize the entity's ability to operate; loss of a key franchise, license, or patent; loss</u> 	<p>usual trade credit from suppliers, restructuring of debt, noncompliance with statutory capital requirements, need to seek new sources or methods of financing or to dispose of substantial assets</p> <ul style="list-style-type: none"> • <i>Internal matters</i>—for example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project, uneconomic long-term commitments, need to significantly revise operations <p><i>External matters that have occurred</i>—for example, legal proceedings, legislation, or similar matters that might jeopardize an entity's ability to operate; loss of a key franchise, license, or patent; loss of a principal customer or supplier; uninsured or underinsured</p>	

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<p>essential investments.</p> <p>Operating</p> <ul style="list-style-type: none"> • Management intentions to liquidate the entity or to cease operations. • Loss of key management without replacement. • Loss of a major market, key customer(s), franchise, license, or principal supplier(s). • Labor difficulties. • Shortages of important supplies. • Emergence of a highly successful competitor. <p>Other</p> <ul style="list-style-type: none"> • Non-compliance with capital or other statutory or regulatory requirements, such as 	<p><u>of a principal customer or supplier; and an uninsured or underinsured catastrophe such as a hurricane, tornado, earthquake, or flood.</u></p> <p>Financial</p> <ul style="list-style-type: none"> • Net liability or net current liability position. • Fixed term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short term borrowings to finance long term assets. • Indications of withdrawal of financial support by creditors. • Negative operating cash flows indicated by historical or prospective financial statements. • Adverse key financial ratios. 	<p>catastrophe such as a drought, earthquake, or flood</p>	

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
<p>solvency or liquidity requirements for financial institutions.</p> <ul style="list-style-type: none"> • Pending legal or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy. • Changes in law or regulation or government policy expected to adversely affect the entity. • Uninsured or underinsured catastrophes when they occur. 	<ul style="list-style-type: none"> • Substantial operating losses or significant deterioration in the value of assets used to generate cash flows. • Arrears or discontinuance of dividends. • Inability to pay creditors on due dates. • Inability to comply with the terms of loan agreements. • Change from credit to cash on delivery transactions with suppliers. • Inability to obtain financing for essential new product development or other essential investments. <p>Operating</p> <ul style="list-style-type: none"> • Management intentions to liquidate the entity or to cease operations. 		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<ul style="list-style-type: none"> • Loss of key management without replacement. • Loss of a major market, key customer(s), franchise, license, or principal supplier(s). • Labor difficulties. • Shortages of important supplies. • Emergence of a highly successful competitor. <p>Other</p> <ul style="list-style-type: none"> • Non-compliance with capital or other statutory or regulatory requirements, such as solvency or liquidity requirements for financial institutions. • Pending legal or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy. 		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<ul style="list-style-type: none"> • Changes in law or regulation or government policy expected to adversely affect the entity. • Uninsured or underinsured catastrophes when they occur. 		
<p>The significance of such events or conditions often can be mitigated by other factors. For example, the effect of an entity being unable to make its normal debt repayments may be counter-balanced by management’s plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional capital. Similarly, the loss of a principal supplier may be mitigated by the availability of a suitable alternative source of supply.</p>	<p>The significance of such events or conditions often can be mitigated by other factors. <u>The following are examples of plans in GAAP that management may implement to mitigate conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time.³⁸ The examples are not all-inclusive.</u></p> <ul style="list-style-type: none"> • <u>Plans to dispose of an asset or business:</u> <ul style="list-style-type: none"> — <u>Restrictions on disposal of an asset or business, such as covenants that limit those transactions in loan or similar</u> 		<p>To align proposed standard factors listed in U.S.GAAP.</p>

³⁸ FASB ASC 205-40-55-3

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	<p><u>agreements, or encumbrances against the asset or business</u></p> <p>— <u>Marketability of the asset or business that management plans to sell</u></p> <p>— <u>Possible direct or indirect effects of disposal of the asset or business</u></p> <ul style="list-style-type: none"> • <u>Plans to borrow money or restructure debt:</u> <ul style="list-style-type: none"> — <u>Availability and terms of new debt financing, or availability and terms of existing debt refinancing, such as term debt, lines of credit, or arrangements for factoring receivables or sale-leaseback of assets</u> — <u>Existing or committed arrangements to</u> 		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<p><u>restructure or subordinate debt or to guarantee loans to the entity</u></p> <p>— <u>Possible effects on management’s borrowing plans of existing restrictions on additional borrowing or the sufficiency of available collateral</u></p> <ul style="list-style-type: none"> • <u>Plans to reduce or delay expenditures:</u> <ul style="list-style-type: none"> — <u>Feasibility of plans to reduce overhead or administrative expenditures, to postpone maintenance or research and development projects, or to lease rather than purchase assets</u> — <u>Possible direct or indirect effects on the entity and its cash flows of</u> 		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<p><u>reduced or delayed expenditures</u></p> <ul style="list-style-type: none"> • <u>Plans to increase ownership equity:</u> <ul style="list-style-type: none"> — <u>Feasibility of plans to increase ownership equity, including existing or committed arrangements to raise additional capital</u> — <u>Existing or committed arrangements to reduce current dividend requirements or to accelerate cash infusions from affiliates or other investors.</u> <p><u>In the absence of guidance provided by the applicable financial reporting framework that illustrate adverse conditions or events that may raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time or plans</u></p>		

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	<p>that management may implement to mitigate conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time, the auditor may consider the guidance in this paragraph. For example, the effect of an entity being unable to make its normal debt repayments may be counter balanced by management’s plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional capital. Similarly, the loss of a principal supplier may be mitigated by the availability of a suitable alternative source of supply.</p>		
	<p><u>A3a. Under GAAP, determining whether substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time exists depends on an evaluation of relevant conditions and events, in the aggregate, that are known and reasonably knowable at the date that the financial statements are issued (or at the date the financial statements</u></p>		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<p><u>are available to be issued when applicable</u>).³⁹ Other applicable financial reporting frameworks may contain other criteria.</p>		
<p>A4. The risk assessment procedures required by paragraph 10 help the auditor to determine whether management’s use of the going concern basis of accounting is likely to be an important issue and its impact on planning the audit. These procedures also allow for more timely discussions with management, including a discussion of management’s plans and resolution of any identified going concern issues.</p>	<p>A4. The risk assessment procedures required by paragraph 10 help the auditor to determine whether management’s use of the going concern basis of accounting is likely to be an important issue and its impact on planning the audit. These procedures also allow for more timely discussions with management, including a discussion of management’s plans and resolution of any identified going concern issues.</p>		
	<p><u>A4a. If management is preparing interim financial statements, GAAP requires a going concern assessment for the interim periods.</u>⁴⁰ <u>In completing the risk assessment procedures in paragraph 10, including determining whether management has already performed a preliminary assessment of the conditions or events that raise</u></p>		<p>Additional application guidance added to clarify the requirement in paragraph 10.</p>

³⁹ FASB ASC 205-40-50-3

⁴⁰ ASC 205-40-50-1

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	<u>substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time, GAAP may have required management to have already completed a going concern assessment.</u>		
<i>Considerations Specific to Smaller Entities</i> (Ref: Para. 10)	<i>Considerations Specific to Smaller Entities</i> (Ref: Para <u>par.</u> 10)		
A5. The size of an entity may affect its ability to withstand adverse conditions. Small entities may be able to respond quickly to exploit opportunities, but may lack reserves to sustain operations.	A5. The size of an entity may affect its ability to withstand adverse conditions. Small entities may be able to respond quickly to exploit opportunities, but may lack reserves to sustain operations.		
A6. Conditions of particular relevance to small entities include the risk that banks and other lenders may cease to support the entity, as well as the possible loss of a principal supplier, major customer, key employee, or the right to operate under a license, franchise or other legal agreement.	A6. Conditions of particular relevance to small entities include the risk that banks and other lenders may cease to support the entity, as well as the possible loss of a principal supplier, major customer, key employee, or the right to operate under a license, franchise or other legal agreement.		
<i>Remaining Alert throughout the Audit for Audit Evidence about Events or Conditions</i> (Ref: Para. 11)	<i>Remaining Alert throughout the Audit for Audit Evidence about Events or Conditions <u>or Events</u></i> (Ref: Para <u>par.</u> 11)		

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<p>A7. ISA 315 (Revised) requires the auditor to revise the auditor’s risk assessment and modify the further planned audit procedures accordingly when additional audit evidence is obtained during the course of the audit that affects the auditor’s assessment of risk.⁴¹ If events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern are identified after the auditor’s risk assessments are made, in addition to performing the procedures in paragraph 16, the auditor’s assessment of the risks of material misstatement may need to be revised. The existence of such events or conditions may also affect the nature, timing and extent of the auditor’s further procedures in response to the assessed risks. ISA 330⁴² establishes requirements and provides guidance on this issue.</p>	<p>A7. <u>AU-C section ISA—315</u> (Revised) requires the auditor to revise the auditor’s risk assessment and modify the further planned audit procedures accordingly when additional audit evidence is obtained during the course of the audit that affects the auditor’s assessment of risk.⁴³ If conditions or events or conditions <u>that may cast raise significant doubt</u> substantial doubt on the entity’s ability to continue as a going concern <u>for a reasonable period of time</u> are identified after the auditor’s risk assessments are made, in addition to performing the procedures in paragraph 16, the auditor’s assessment of the risks of material misstatement may need to be revised. The existence of such events or conditions <u>or events</u> may also affect the nature, timing, and extent of the auditor’s further procedures in response to the assessed risks. <u>AU-C section ISA 330</u>⁴⁴ establishes requirements and</p>		<p>To align proposed standard to U.S. terminology.</p>

⁴¹ ISA 315 (Revised), paragraph 31

⁴² ISA 330, *The Auditor’s Responses to Assessed Risks*

⁴³ Paragraph 32 of ~~ISA-AU-C Section 315 (Revised)~~, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatements* ~~paragraph 31~~

⁴⁴ AU-C section ISA 330, *Performing Audit Procedures The Auditor’s Responses to Assessed Risks and Evaluating the Audit Evidence Obtained*

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	provides guidance on this issue.		
Evaluating Management’s Assessment	Evaluating Management’s Assessment		
<i>Management’s Assessment and Supporting Analysis and the Auditor’s Evaluation</i> (Ref: Para. 12)	<i>Management’s Assessment and Supporting Analysis and the Auditor’s Evaluation</i> (Ref: Para .par. 12)	<i>Consideration of Management’s Plans When the Auditor Believes There Is Substantial Doubt</i> (Ref: par. 10)	
		<p>A3. The auditor’s considerations relating to management’s plans may include the following:</p> <ul style="list-style-type: none"> • Plans to dispose of assets <ul style="list-style-type: none"> — Restrictions on disposal of assets, such as covenants limiting such transactions in loan or similar agreements or encumbrances against assets — Apparent marketability of assets that management plans to sell 	

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
		<ul style="list-style-type: none"> — Possible direct or indirect effects of disposal of assets • Plans to borrow money or restructure debt — Availability of debt financing, including existing or committed credit arrangements, such as lines of credit or arrangements for factoring receivables or sale-leaseback of assets — Existing or committed arrangements to restructure or subordinate debt or to guarantee loans to the entity — Possible effects on management’s borrowing plans of existing restrictions on additional borrowing or the sufficiency of available collateral 	

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
		<ul style="list-style-type: none"> • Plans to reduce or delay expenditures <ul style="list-style-type: none"> — Apparent feasibility of plans to reduce overhead or administrative expenditures, to postpone maintenance or research and development projects, or to lease rather than purchase assets — Possible direct or indirect effects of reduced or delayed expenditures • Plans to increase ownership equity <ul style="list-style-type: none"> — Apparent feasibility of plans to increase ownership equity, including existing or committed arrangements to raise additional capital <p>Existing or committed</p>	

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
		arrangements to reduce current dividend requirements or to accelerate cash distributions from affiliates or other investors	
<p>A8. Management’s assessment of the entity’s ability to continue as a going concern is a key part of the auditor’s consideration of management’s use of the going concern basis of accounting.</p>	<p>A8. Management’s assessment of the entity’s ability to continue as a going concern <u>for a reasonable period of time and whether substantial doubt exists</u> is a key part of the auditor’s <u>consideration</u> conclusion of management’s use of the going concern basis of accounting <u>and whether substantial doubt exists</u>.</p>		
<p>A9. It is not the auditor’s responsibility to rectify the lack of analysis by management. In some circumstances, however, the lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether management’s use of the going concern basis of accounting is appropriate in the circumstances. For example, when there is a history of profitable operations and a ready access to financial resources, management may make</p>	<p>A9. It is not the auditor’s responsibility to rectify the lack of analysis by management. In some circumstances, however, the lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether management’s use of the going concern basis of accounting <u>or whether substantial doubt exists</u> is appropriate in the circumstances. For example, when there is a history of profitable operations and a ready access to financial</p>		

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<p>its assessment without detailed analysis. In this case, the auditor’s evaluation of the appropriateness of management’s assessment may be made without performing detailed evaluation procedures if the auditor’s other audit procedures are sufficient to enable the auditor to conclude whether management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate in the circumstances.</p>	<p>resources <u>exist</u>, management may make its assessment without detailed analysis. In this case, the auditor’s evaluation of the appropriateness of management’s assessment may be made without performing detailed evaluation procedures if the auditor’s other audit procedures are sufficient to enable the auditor to conclude whether management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate in the circumstances.</p>		
<p>A10. In other circumstances, evaluating management’s assessment of the entity’s ability to continue as a going concern, as required by paragraph 12, may include an evaluation of the process management followed to make its assessment, the assumptions on which the assessment is based and management’s plans for future action and whether management’s plans are feasible in the circumstances.</p>	<p>A10. In other circumstances, evaluating management’s assessment of the entity’s ability to continue as a going concern <u>for a reasonable period of time and whether substantial doubt exists</u>, as required by paragraph 12, may include an evaluation of the process management followed to make its assessment, the assumptions on which the assessment is based and management’s plans for future action and whether management’s plans are feasible in the circumstances <u>to alleviate</u></p>		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<u>substantial doubt.</u>		
	<p><u>A10a. Some applicable financial reporting frameworks, for example, GAAP and GASB, require the entity’s to make an assessment about the entity’s ability to continue as a going concern for a reasonable period of time and whether substantial doubt exists.⁴⁵</u></p> <p><u>In these circumstances, the auditor’s procedures and conclusions might be principally based off performing procedures to test management’s compliance with the applicable financial reporting framework.</u></p>		<p>Incremental application guidance added to make it clearer that the management assessment may be embedded in the financial reporting framework and the auditor’s procedures in those situation may be evaluating management’s compliance with the accounting framework.</p>
<i>The Period of Management’s Assessment</i> (Ref: Para. 13)	<i>The Period of Management’s Assessment</i> (Ref: Para <u>par.</u> 13)		
<p>A11. Most financial reporting frameworks requiring an explicit management assessment specify the period for which management is required to take into account all available information.⁴⁶</p>	<p>A11. Most financial reporting frameworks requiring an explicit management assessment specify the period for which management is required to take into account all available information.⁴⁷</p>		<p>Additional guidance is useful for auditors in the U.S. environment to illustrate difference reporting requirements under GAAP and GASB. Paragraph A11 of ISA 570</p>

⁴⁵ FASB ASC 205-40 and GASB No.56.

⁴⁶ For example, IAS 1 defines this as a period that should be at least, but is not limited to, twelve months from the end of the reporting period.

⁴⁷ ~~For example, FASB’s Accounting Standards Update No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40), *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* IAS 1 requires an evaluation for a period of one year after the date that the financial statements are issued (or available to be~~

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
			was moved to paragraph A2c. It was important to explain earlier in the application guidance the notion of reasonable period of time and highlight the difference among some of the applicable financial reporting frameworks.
<i>Considerations Specific to Smaller Entities</i> (Ref: Para. 12–13)	<i>Considerations Specific to Smaller Entities</i> (Ref: Para. <u>par.</u> 12–13)		
<p>A12. In many cases, the management of smaller entities may not have prepared a detailed assessment of the entity’s ability to continue as a going concern, but instead may rely on in-depth knowledge the business and anticipated future prospects. Nevertheless, in accordance with the requirements of this ISA, the auditor needs to evaluate management’s assessment of the entity’s ability to continue as a going concern. For smaller entities, it may be appropriate to discuss the medium and long-term financing of the entity with management, provided that management’s contentions can be corroborated by</p>	<p>A12. In many cases, the management of smaller entities may not have prepared a detailed assessment of the entity’s ability to continue as a going concern <u>for a reasonable period of time or whether substantial doubt exists</u>, but instead may rely on in-depth knowledge the business and anticipated future prospects. Nevertheless, in accordance with the requirements of this <u>proposed ISASAS</u>, the auditor needs to<u>is required to</u> evaluate management’s assessment of the entity’s ability to continue as a going concern <u>for a reasonable period of time and whether substantial doubt exists</u>. For smaller entities, it may be appropriate to discuss the medium</p>		To align proposed standard to U.S. terminology

~~issued~~ defines this as a period that should be at least, but is not limited to, twelve months from the end of the reporting period.

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<p>sufficient documentary evidence and are not inconsistent with the auditor’s understanding of the entity. Therefore, the requirement in paragraph 13 for the auditor to request management to extend its assessment may, for example, be satisfied by discussion, inquiry and inspection of supporting documentation, for example, orders received for future supply, evaluated as to their feasibility or otherwise substantiated.</p>	<p>and long-term financing of the entity with management, provided that management’s contentions can be corroborated by sufficient documentary evidence and are not inconsistent with the auditor’s understanding of the entity. Therefore, the requirement in paragraph 13 for the auditor to request management to extend its assessment may, for example, be satisfied by discussion, inquiry and inspection of supporting documentation, for example, orders received for future supply, evaluated as to their feasibility or otherwise substantiated.</p>		
<p>A13. Continued support by owner-managers is often important to smaller entities’ ability to continue as a going concern. Where a small entity is largely financed by a loan from the owner-manager, it may be important that these funds are not withdrawn. For example, the continuance of a small entity in financial difficulty may be dependent on the owner-manager subordinating a loan to the entity in favor of banks or other creditors, or the owner-manager supporting a</p>	<p>A13. Continued support by owner-managers is often important to smaller entities’ ability to continue as a going concern. Where a small entity is largely financed by a loan from the owner-manager, it may be important that these funds are not withdrawn. For example, the continuance of a small entity in financial difficulty may be dependent on the owner-manager subordinating a loan to the entity in favor of banks or other creditors, or the owner-manager supporting a</p>		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
<p>loan for the entity by providing a guarantee with his or her personal assets as collateral. In such circumstances, the auditor may obtain appropriate documentary evidence of the subordination of the owner-manager’s loan or of the guarantee. Where an entity is dependent on additional support from the owner-manager, the auditor may evaluate the owner-manager’s ability to meet the obligation under the support arrangement. In addition, the auditor may request written confirmation of the terms and conditions attaching to such support and the owner-manager’s intention or understanding.</p>	<p>loan for the entity by providing a guarantee with his or her personal assets as collateral. In such circumstances, the auditor may obtain appropriate documentary evidence of the subordination of the owner-manager’s loan or of the guarantee. Where an entity is dependent on additional support from the owner-manager, the auditor may evaluate the owner-manager’s ability to meet the obligation under the support arrangement. In addition, the auditor may request written confirmation of the terms and conditions attaching to such support and the owner-manager’s intention or understanding.</p>		
<p>Period beyond Management’s Assessment (Ref: Para. 15)</p>	<p>Period beyond Management’s Assessment (Ref: Para.<u>par.</u> 15)</p>		
<p>A14. As required by paragraph 11, the auditor remains alert to the possibility that there may be known events, scheduled or otherwise, or conditions that will occur beyond the period of assessment used by management that may bring into question the appropriateness of management’s</p>	<p>A14. As required by paragraph 11, the auditor remains alert to the possibility that there may be known events, scheduled or otherwise, or conditions that will occur beyond the period of assessment used by management that may bring into question the appropriateness of management’s</p>		

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<p>use of the going concern basis of accounting in preparing the financial statements. Since the degree of uncertainty associated with the outcome of an event or condition increases as the event or condition is further into the future, in considering events or conditions further in the future, the indications of going concern issues need to be significant before the auditor needs to consider taking further action. If such events or conditions are identified, the auditor may need to request management to evaluate the potential significance of the event or condition on its assessment of the entity’s ability to continue as a going concern. In these circumstances, the procedures in paragraph 16 apply.</p>	<p>use of the going concern basis of accounting in preparing the financial statements. Since the degree of uncertainty associated with the outcome of an event or condition increases as the event or condition is further into the future, in considering events or conditions further in the future, the indications of going concern issues need to be significant before the auditor needs to consider taking further action. If such events or conditions are identified, the auditor may need to request management to evaluate the potential significance of the event or condition on its assessment of the entity’s ability to continue as a going concern. In these circumstances, the procedures in paragraph 16 apply.</p>		
<p>A15. Other than inquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern beyond the period assessed by management, which, as discussed in paragraph 13,</p>	<p>A15. Other than inquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events—conditions <u>or</u> and/or <u>events that may cast raise significant doubt</u> <u>substantial doubt</u> on the entity’s ability to continue as a going concern <u>for a reasonable period of time beyond</u></p>		<p>To align proposed standard to U.S. terminology and add incremental guidance to make it clearer the minimum period that the assessment should covered.</p>

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<p>would be at least twelve months from the date of the financial statements.</p>	<p>the period assessed by management, which, as discussed in paragraph 13, would be at least unless management is not required to make an assessment; then the period for the auditor to assess is twelve months from the date of the financial statements <u>being issued or available to be issued, as discussed in paragraph 9a.</u></p>		
<p>Additional Audit Procedures When Events or Conditions Are Identified (Ref: Para.16)</p>	<p>Additional Audit Procedures When Events or Conditions Are Identified (Ref: Para.par.16)</p>		
<p>A16. Audit procedures that are relevant to the requirement in paragraph 16 may include the following:</p>	<p>A16. Audit procedures that are relevant to the requirement in paragraph 16 may include the following:</p>		
<ul style="list-style-type: none"> Analyzing and discussing cash flow, profit and other relevant forecasts with management. 	<ul style="list-style-type: none"> Analyzing and discussing cash flow, profit and other relevant forecasts with management. 		
<ul style="list-style-type: none"> Analyzing and discussing the entity’s latest available interim financial statements. 	<ul style="list-style-type: none"> Analyzing and discussing the entity’s latest available interim financial statements. 		
<ul style="list-style-type: none"> Reading the terms of debentures and loan agreements 	<ul style="list-style-type: none"> Reading the terms of debentures and loan 		

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and determining whether any have been breached.	agreements and determining whether any have been breached.		
<ul style="list-style-type: none"> Reading minutes of the meetings of shareholders, those charged with governance and relevant committees for reference to financing difficulties. 	<ul style="list-style-type: none"> Reading minutes of the meetings of shareholders, those charged with governance and relevant committees for reference to financing difficulties. 		
<ul style="list-style-type: none"> Inquiring of the entity’s legal counsel regarding the existence of litigation and claims and the reasonableness of management’s assessments of their outcome and the estimate of their financial implications. 	<ul style="list-style-type: none"> Inquiring of the entity’s legal counsel regarding the existence of litigation and claims and the reasonableness of management’s assessments of their outcome and the estimate of their financial implications. 		
<ul style="list-style-type: none"> Confirming the existence, legality and enforceability of arrangements to provide or maintain financial support with related and third parties and assessing the financial ability of such parties to provide additional funds. 	<ul style="list-style-type: none"> Confirming the existence, legality and enforceability of arrangements to provide or maintain financial support with related and third parties and assessing the financial ability of 		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	such parties to provide additional funds.		
<ul style="list-style-type: none"> Evaluating the entity’s plans to deal with unfilled customer orders. 	<ul style="list-style-type: none"> Evaluating the entity’s plans to deal with unfilled customer orders. 		
<ul style="list-style-type: none"> Performing audit procedures regarding subsequent events to identify those that either mitigate or otherwise affect the entity’s ability to continue as a going concern. 	<ul style="list-style-type: none"> Performing audit procedures regarding subsequent events to identify those that either mitigate or otherwise affect the entity’s ability to continue as a going concern <u>for a reasonable period of time.</u> 		<p>Inserted reasonable period of time to make clearer the period of the auditor’s responsibility.</p>
<ul style="list-style-type: none"> Confirming the existence, terms and adequacy of borrowing facilities. 	<ul style="list-style-type: none"> Confirming the existence, terms and adequacy of borrowing facilities. 		
<ul style="list-style-type: none"> Obtaining and reviewing reports of regulatory actions. 	<ul style="list-style-type: none"> Obtaining and reviewing reports of regulatory actions. 		
<ul style="list-style-type: none"> Determining the adequacy of support for any planned disposals of assets. 	<ul style="list-style-type: none"> Determining the adequacy of support for any planned disposals of assets. 		
<i>Evaluating Management’s Plans for Future Actions (Ref: Para.</i>	<i>Evaluating Management’s Plans for Future Actions (Ref: Para.par.</i>		

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16(b))	16(b))		
<p>A17. Evaluating management’s plans for future actions may include inquiries of management as to its plans for future action, including, for example, its plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.</p>	<p>A17. Evaluating management’s plans for future actions may include inquiries—audit procedures the auditor considers necessary in the circumstances to address management’s as to its plans for future action, including, for example, its plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital (see paragraph A3 for examples of plans that management may implement to mitigate conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time.</p>		<p>Included incremental application to make it clearer that the auditor’s procedures would consists of more than inquiries and depend on the circumstances of the engagement.</p>
<p><i>The Period of Management’s Assessment</i> (Ref: Para. 16(c))</p>	<p><i>The Period of Management’s Assessment</i> (Ref: Para.<u>par.</u> 16(c))</p>		
<p>A18. In addition to the procedures required in paragraph 16(c), the auditor may compare:</p>	<p>A18. In addition to the procedures required in paragraph 16(c), the auditor may compare:</p>		
<ul style="list-style-type: none"> • The prospective financial information for recent prior periods with historical results; and 	<ul style="list-style-type: none"> • The prospective financial information for recent prior periods 		

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	with historical results; and		
<ul style="list-style-type: none"> The prospective financial information for the current period with results achieved to date. 	<ul style="list-style-type: none"> The prospective financial information for the current period with results achieved to date. 		
<p>A19. Where management’s assumptions include continued support by third parties, whether through the subordination of loans, commitments to maintain or provide additional funding, or guarantees, and such support is important to an entity’s ability to continue as a going concern, the auditor may need to consider requesting written confirmation (including of terms and conditions) from those third parties and to obtain evidence of their ability to provide such support.</p>	<p>A19. Where management’s assumptions include continued support by third parties, whether through the subordination of loans, commitments to maintain or provide additional funding, or guarantees, and such support is important to an entity’s ability to continue as a going concern <u>for a reasonable period of time and whether substantial doubt exists,</u> the auditor may need to consider requesting written confirmation (including of terms and conditions) from those third parties and to obtain evidence of their ability to provide such support.</p>		<p>To align proposed standard to U.S. terminology.</p>
<p><i>Written Representations</i> (Ref: Para. 16(e))</p>	<p><i>Written Representations</i> (Ref: Para.<u>par. 16a</u>16(e))</p>	<p>Written Representations (Ref: par. 14)</p>	
<p>A20. The auditor may consider it appropriate to obtain specific written representations beyond</p>	<p>A20. The auditor may consider it appropriate to obtain specific written representations beyond</p>		<p>To align proposed standard to U.S. GAAP environment.</p>

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those required in paragraph 16 in support of audit evidence obtained regarding management’s plans for future actions in relation to its going concern assessment and the feasibility of those plans.	those required in paragraph 16 a in support of audit evidence obtained regarding management’s plans for future actions in relation to its going concern assessment and the feasibility of those plans <u>to alleviate any substantial doubt</u> .		
		A5. If the auditor determines that it is necessary to obtain one or more representations with respect to identified conditions or events that indicate there could be substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time pursuant to paragraph 9 of this SAS, AU-C section 580, Written Representations, applies.	
Auditor Conclusions	Auditor Conclusions		
<i>Material Uncertainty Related to Events or Conditions that May Cast Significant Doubt on the Entity’s Ability to Continue as a Going Concern (Ref: Para. 18–19)</i>	<i>Material Uncertainty Related to Events or Conditions that May Cast Significant Doubt on</i> <u><i>Substantial Doubt about the Entity’s Ability to Continue as a Going Concern (Ref: Para-par. 18–19)</i></u>		
A21. The phrase “material uncertainty” is used in IAS 1 in discussing the uncertainties related to events or conditions which may	A21. The phrase “material uncertainty” is used in IAS 1 in discussing the uncertainties related to events or conditions which may		See paragraph A2a for definition of substantial doubt and guidance about other terms used in other

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<p>cast significant doubt on the entity’s ability to continue as a going concern that should be disclosed in the financial statements. In some other financial reporting frameworks the phrase “significant uncertainty” is used in similar circumstances.</p>	<p>cast significant doubt on the entity’s ability to continue as a going concern that should be disclosed in the financial statements. In some other financial reporting frameworks the phrase “significant uncertainty” is used in similar circumstances.</p>		<p>accounting frameworks.</p>
<p><i>Adequacy of Disclosure when Events or Conditions Have Been Identified and a Material Uncertainty Exists</i></p>	<p><i>Adequacy of Disclosure when Events or Conditions or Events Have Been Identified and a Material Uncertainty Substantial Doubt Exists</i></p>		
<p>A22. Paragraph 18 explains that a material uncertainty exists when the magnitude of the potential impact of the events or conditions and the likelihood of occurrence is such that appropriate disclosure is necessary to achieve fair presentation (for fair presentation frameworks) or for the financial statements not to be misleading (for compliance frameworks). The auditor is required by paragraph 18 to conclude whether such a material uncertainty exists regardless of whether or how the applicable financial reporting framework defines a material uncertainty.</p>	<p>A22. Paragraph 18 A2a explains that a material uncertainty under substantial doubt exists when conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its obligations as they become due the magnitude of the potential impact of the events or conditions and the likelihood of occurrence is such and that appropriate disclosure is necessary to achieve fair presentation. (for fair presentation frameworks) or for the financial statements not to be misleading (for compliance frameworks). The</p>		

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	<p>auditor is required by paragraph 18 to conclude whether such a material uncertainty exists regardless of whether or how the applicable financial reporting framework defines a material uncertainty substantial doubt about the entity's to continue as a going concern.</p>		
<p>A23. Paragraph 19 requires the auditor to determine whether the financial statement disclosures address the matters set forth in that paragraph. This determination is in addition to the auditor determining whether disclosures about a material uncertainty, required by the applicable financial reporting framework, are adequate. Disclosures required by some financial reporting frameworks that are in addition to matters set forth in paragraph 19 may include disclosures about:</p>	<p><u>A23. Some financial reporting frameworks provide requirements about management's responsibilities to evaluate whether substantial doubt exists about an entity's ability to continue as a going concern for a reasonable period of time and provide explicit requirements about financial statement disclosures.</u>Paragraph 19 requires the auditor to determine whether the financial statement disclosures address the matters set forth in that paragraph. This determination is in addition to the auditor determining whether disclosures about a material uncertainty of ability, required by the applicable financial reporting framework, are adequate. Disclosures required by some financial reporting frameworks that</p>	<p>A4. In considering the adequacy of disclosure, some of the information that might be disclosed includes the following:</p>	<p>To include incremental application guidance explaining that financial reporting frameworks for management's evaluation. Paragraph A23a provides as an example U.S. GAAP requirement.</p>

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	<p>are in addition to matters set forth in paragraph 19 may include disclosures about:</p>		
<ul style="list-style-type: none"> Management’s evaluation of the significance of the events or conditions relating to the entity’s ability to meet its obligations; or 	<p><u>A23a For example, under GAAP, if, after considering management’s plans, substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time is not alleviated, that is, substantial doubt exists the entity is required to include a statement in the notes to the financial statement indicating that there is substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued. Additionally, the entity is required to disclose information that enables users of the financial statements to understand all of the following:⁴⁸</u></p> <p>a. <u>Principal conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time</u></p>	<ul style="list-style-type: none"> Management’s evaluation of the significance of those conditions or events and any mitigating factors Management’s plans (including relevant prospective financial information) 	

⁴⁸ FASB ASC 205-40-50-13

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<p>b. <u>Management’s evaluation of the significance of those conditions or events in relation to the entity’s ability to meet its obligations</u></p> <p>c. <u>Management’s plans that are intended to mitigate the conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time.</u></p> <p>Management’s evaluation of the significance of the events or conditions relating to the entity’s ability to meet its obligations; or</p>		
		<ul style="list-style-type: none"> Possible discontinuance of operations 	
		<ul style="list-style-type: none"> Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities 	

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
		<ul style="list-style-type: none"> Principal conditions or events giving rise to the assessment of substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time 	
<ul style="list-style-type: none"> 		<ul style="list-style-type: none"> The possible effects of such conditions or events 	
<ul style="list-style-type: none"> Significant judgments made by management as part of its assessment of the entity's ability to continue as a going concern. 	Significant judgments made by management as part of its assessment of the entity's ability to continue as a going concern.		
<p>Some financial reporting frameworks may provide additional guidance regarding management's consideration of disclosures about the magnitude of the potential impact of the principal events or conditions, and the likelihood and timing of their occurrence.</p>	Some financial reporting frameworks may provide additional guidance regarding management's consideration of disclosures about the magnitude of the potential impact of the principal events or conditions, and the likelihood and timing of their occurrence.		
<p><i>Adequacy of Disclosures When Events or Conditions Have Been Identified but No Material</i></p>	<p><i>Adequacy of Disclosures When Events or Conditions Have Been Identified but No Material Uncertainty—Substantial Doubt</i></p>		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
<i>Uncertainty Exists</i> (Ref: Para. 20)	<i>Exists</i> (Ref: Para. <u>par.</u> 20)		
<p>A24. Even when no material uncertainty exists, paragraph 20 requires the auditor to evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosure about events or conditions that may cast significant doubt <u>significant doubt</u> on the entity's ability to continue as a going concern. Some financial reporting frameworks may address disclosures about:</p>	<p><u>A24. Even in situations when events or conditions that raise substantial doubt about an entity ability to continue as a going concern for a reasonable period of time have been identified but management concludes that no substantial doubt exists after considering management's plans, the auditor is required by paragraph 20 to evaluate the adequacy of the financial statement disclosures. Some applicable financial reporting frameworks may address such disclosures. For example. GAAP requires an entity that if, after considering management's plans, substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time is alleviated as a result of consideration of management's plans, an entity is required to disclose in a note to the financial statements information that enables users of the financial statements to understand all of the following:</u>⁴⁹</p>		<p>To include incremental application guidance to explain U.S. GAAP disclosure requirement when management concludes that no substantial doubt exists based on management's plan to alleviate conditions or events that gave concerns about the entity's ability to continue as a going concern.</p>

⁴⁹ FASB ASC 205-40-12

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<p>a. <u>Principal conditions or events that raised substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time (before consideration of management’s plans)</u></p> <p>b. <u>Management’s evaluation of the significance of those conditions or events in relation to the entity’s ability to meet its obligations</u></p> <p>a.c. Management’s plans that <u>alleviated substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time. Even when no material uncertainty exists, paragraph 20 requires the auditor to evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements</u></p>		

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<p>provide adequate disclosure about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Some financial reporting frameworks may address disclosures about:</p>		
<ul style="list-style-type: none"> Principal events or conditions; 	<p>Principal events or conditions;</p>		
<ul style="list-style-type: none"> Management's evaluation of the significance of those events or conditions in relation to the entity's ability to meet its obligations; 	<p>Management's evaluation of the significance of those events or conditions in relation to the entity's ability to meet its obligations;</p>		
<ul style="list-style-type: none"> Management's plans that mitigate the effect of these events or conditions; or 	<p>Management's plans that mitigate the effect of these events or conditions; or</p>		
<ul style="list-style-type: none"> Significant judgments made by management as part of its assessment of the entity's ability to continue as a going concern. 	<p>Significant judgments made by management as part of its assessment of the entity's ability to continue as a going concern.</p>		
<p>A25. When the financial statements are prepared in accordance with a fair presentation framework, the</p>	<p>A24.A25. When the financial statements are prepared in accordance with a fair presentation</p>		<p>To align proposed standard to U.S. terminology.</p>

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
<p>auditor’s evaluation as to whether the financial statements achieve fair presentation includes the consideration of the overall presentation, structure and content of the financial statements, and whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.⁵⁰ Depending on the facts and circumstances, the auditor may determine that additional disclosures are necessary to achieve fair presentation. This may be the case, for example, when events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists, and no disclosures are explicitly required by the applicable financial reporting framework regarding these circumstances.</p>	<p>framework, —†The auditor’s evaluation as to whether the financial statements achieve fair presentation includes the consideration of the overall presentation, structure and content of the financial statements, and whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.⁵¹ Depending on the facts and circumstances, the auditor may determine that additional disclosures are necessary to achieve fair presentation. This may be the case, for example, when events or conditions <u>or events</u> have been identified that may cast <u>raise</u> significant doubt <u>substantial doubt</u> on the entity’s ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no <u>substantial doubt about the entity’s ability to continue as a going concern</u> material uncertainty for a reasonable period of time exists,</p>		

⁵⁰ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 14

⁵¹ ~~ISA-AU-C section 700~~ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph ~~14~~ 178

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	and no disclosures are explicitly required by the applicable financial reporting framework regarding these circumstances.		
	<u>A25a. In the absence of disclosures explicitly required by the applicable financial reporting framework that address management’s assessment of the entity’s ability to continue as a going concern for a reasonable period of time, the auditor may consider the disclosure guidance set out in paragraphs A23a and A24.</u>		To include additional application guidance that U.S. GAAP disclosure requirements may be applied in situation where the financial reporting framework does not contain explicit requirement to address going concern disclosures.
Implications for the Auditor’s Report	Implications for the Auditor’s Report		
<i>Use of Going Concern Basis of Accounting is Inappropriate</i> (Ref: Para. 21)	<i>Use of Going Concern Basis of Accounting is Inappropriate</i> (Ref: Para. <u>par.</u> 21)		
A26. If the financial statements have been prepared using the going concern basis of accounting but, in the auditor’s judgment, management’s use of the going concern basis of accounting in the financial statements is inappropriate, the requirement in paragraph 21 for the auditor to	<u>A25.A26.</u> If the financial statements have been prepared using the going concern basis of accounting but, in the auditor’s judgment, management’s use of the going concern basis of accounting in the financial statements is inappropriate, the requirement in paragraph 21 for the auditor to		

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<p>express an adverse opinion applies regardless of whether or not the financial statements include disclosure of the inappropriateness of management’s use of the going concern basis of accounting.</p>	<p>express an adverse opinion applies regardless of whether or not the financial statements include disclosure of the inappropriateness of management’s use of the going concern basis of accounting.</p>		
<p>A27. When the use of the going concern basis of accounting is not appropriate in the circumstances, management may be required, or may elect, to prepare the financial statements on another basis (e.g., liquidation basis). The auditor may be able to perform an audit of those financial statements provided that the auditor determines that the other basis of accounting is acceptable in the circumstances. The auditor may be able to express an unmodified opinion on those financial statements, provided there is adequate disclosure therein about the basis of accounting on which the financial statements are prepared, but may consider it appropriate or necessary to include an Emphasis of Matter paragraph in accordance with ISA 706 (Revised)⁵² in the</p>	<p>A26.<u>A27.</u> When the use of the going concern basis of accounting is not appropriate in the circumstances, management may be required, or may elect, to prepare the financial statements on another basis (e.g. for example, under GAAP, the entity is required to comply with subtopic 205-30, <i>liquidation basis</i><u>Liquidation Basis of Accounting, when an entity’s liquidation become imminent</u>). The auditor may be able to perform an audit of those financial statements provided that the auditor determines that the other basis of accounting is acceptable in the circumstances. The auditor may be able to express an unmodified opinion on those financial statements, provided there is adequate disclosure therein about</p>		<p>ISA cContent deleted because GAAP has explicit guidance on Liquidation Basis of Accounting and it would not be an alternative as discussed in the ISA guidance.</p>

⁵² ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
auditor’s report to draw the user’s attention to that alternative basis of accounting and the reasons for its use.	the basis of accounting on which the financial statements are prepared, but may consider it appropriate or necessary to include an Emphasis of Matter paragraph in accordance with ISA 706 (Revised)⁵³ in the auditor’s report to draw the user’s attention to that alternative basis of accounting and the reasons for its use.		
	<u>A27a. AU-C section 9700, Reporting on Financial Statements Prepared on a Liquidation Basis of Accounting, addresses the situation when an auditor issues an unmodified opinion on the entity’s financial statements prepared under the liquidation basis of accounting and the auditor determines an emphasis of matter paragraph is appropriate.</u>		To include a reference to the AU-C section 9700.
<i>Use of the Going Concern Basis of Accounting Is Appropriate but a Material Uncertainty Exists</i> (Ref: Para. 22–23)	<i>Use of the Going Concern Basis of Accounting Is Appropriate but a Material Uncertainty Substantial Doubt Exists</i> (Ref: Para. par. 22–23)	Consideration of the Effects on the Auditor’s Report (Ref: par. 15–18)	
	<u>A27b When GAAP is the applicable financial reporting framework being used in the</u>		To include incremental application guidance to recognize U.S. GAAP

⁵³ ISA AU C section 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*

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	<p><u>preparation of the financial statements, the auditor's conclusion about the entity's ability to continue as a going concern is expressed through the use of the phrase "substantial doubt about its (the entity's) ability to continue as a going concern." In other applicable financial reporting frameworks a term similar may be appropriate depending on the requirements of other applicable financial reporting frameworks. If there are no terms to consider based on the requirements of the applicable financial reporting framework then similar wording that includes the terms <i>substantial doubt</i> and <i>going concern</i> may be appropriate.</u></p>		<p>terminology.</p>
	<p><u>A27c. The following is an illustration of a going-concern emphasis-of-matter paragraph when the auditor concludes that there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time and management also has a responsibility to conclude regarding substantial doubt:</u></p>	<p>A6. The inclusion of a going-concern emphasis-of-matter paragraph in the auditor's report is sufficient to inform the users of the financial statements that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time. The following is an illustration of a going-concern emphasis-of-matter paragraph when the auditor concludes that</p>	<p>The first sentence of paragraph A6 is not required because under GAAP, management is required to make note disclosure about substantial doubt and such disclosure would be the basis to inform readers about the existence of substantial doubt.</p> <p>The emphasis of matter paragraph</p>

<i>ISA 570</i>	<i>Proposed SAS</i>	<i>SAS 126</i>	<i>Comments</i>
	<p><u>Emphasis of Matter Regarding Going Concern</u></p> <p><u>The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note X to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management’s conclusion that substantial doubt exists and its plans in regard to these matters are also described in Note X. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.</u></p> <p><u>If management has no responsibility to conclude about substantial doubt, the sentence “Management’s conclusion that substantial doubt exists and its plans in regard to these matters are also described in Note X,” would be modified as follows: “Management’s plans in regard to</u></p>	<p>there is substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time:</p> <p>Emphasis of Matter Regarding Going Concern</p> <p>The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note X to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note X. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.</p>	<p>has been modified to reference management’s conclusion that substantial doubt exists since management now has that responsibility.</p>

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	<u>these matters are also described in Note X.”</u>	Our opinion is not modified with respect to this matter.	
	<p><u>A27b. Examples of conditional language that is inappropriate to use in the emphasis-of-matter paragraph include the following:</u></p> <ul style="list-style-type: none"> • <u>"If the Company continues to suffer recurring losses from operations and continues to have a net capital deficiency, there may be substantial doubt about its ability to continue as a going concern."</u> • <u>"The Company has been unable to renegotiate its expiring credit agreements. Unless the Company is able to obtain financial support, there is substantial doubt about its ability to continue as a going concern."</u> 	<p>A7. Examples of conditional language that is inappropriate to use in the emphasis-of-matter paragraph include the following:</p> <ul style="list-style-type: none"> • "If the Company continues to suffer recurring losses from operations and continues to have a net capital deficiency, there may be substantial doubt about its ability to continue as a going concern." • "The Company has been unable to renegotiate its expiring credit agreements. Unless the Company is able to obtain financial support, there is substantial doubt about its ability to continue as a going concern." 	
	<u>A27c. Disclaiming an opinion, rather than expressing an opinion and including a going-concern emphasis-of-matter paragraph in</u>	A8. Disclaiming an opinion, rather than expressing an opinion and including a going-concern	To retain guidance from extant standard and retain current reporting model.

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	<p><u>the auditor’s report, does not obviate the need for disclosure in the auditor’s report of the matter giving rise to the disclaimer.</u></p>	<p>emphasis-of-matter paragraph in the auditor’s report, does not obviate the need for disclosure in the auditor’s report of the matter giving rise to the disclaimer.</p>	
	<p><u>Comparative Presentations</u> (Ref: par. 20)</p>	<p>Comparative Presentations (Ref: par. 20)</p>	
	<p><u>A27d. Substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time that arose in the current period does not imply that a basis for such doubt existed in the prior period and, therefore, does not affect the auditor’s report on the financial statements of the prior period that are presented on a comparative basis. AU-C section 700, <i>Forming an Opinion and Reporting on Financial Statements</i> (AICPA, <i>Professional Standards</i>), provides guidance on reporting when financial statements of one or more prior periods are presented on a comparative basis with financial statements of the current period.</u></p>	<p>A9. Substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time that arose in the current period does not imply that a basis for such doubt existed in the prior period and, therefore, does not affect the auditor’s report on the financial statements of the prior period that are presented on a comparative basis. AU-C section 700, <i>Forming an Opinion and Reporting on Financial Statements</i> (AICPA, <i>Professional Standards</i>), provides guidance on reporting when financial statements of one or more prior periods are presented on a comparative basis with financial statements of the current period.</p>	<p>To retain guidance from extant standard and retain current reporting model.</p>

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	<p><u>Eliminating a Going-Concern Emphasis-of-Matter Paragraph From a Reissued Report</u> (Ref: par. 23d)</p>	<p>Eliminating a Going-Concern Emphasis-of-Matter Paragraph From a Reissued Report (Ref: par. 21)</p>	
	<p><u>A27e. After the auditor has issued the auditor’s report containing a going-concern emphasis-of-matter paragraph, the auditor may be asked to reissue the auditor’s report on the financial statements and eliminate the going-concern emphasis-of-matter paragraph that appeared in the original report. Such requests ordinarily occur after the conditions or events that gave rise to substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time have been resolved. For example, subsequent to the date of the auditor’s original report, an entity might obtain needed financing.</u></p>	<p>A10. After the auditor has issued the auditor’s report containing a going-concern emphasis-of-matter paragraph, the auditor may be asked to reissue the auditor’s report on the financial statements and eliminate the going-concern emphasis-of-matter paragraph that appeared in the original report. Such requests ordinarily occur after the conditions or events that gave rise to substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time have been resolved. For example, subsequent to the date of the auditor’s original report, an entity might obtain needed financing.</p>	<p>To retain guidance from extant standard and retain current reporting model.</p>
	<p><u>A27f. The auditor may perform procedures in addition to those required by paragraph 23d of this SAS that the auditor deems necessary in the circumstances when reassessing the entity’s ability to continue as a going</u></p>	<p>A11. The auditor may perform procedures in addition to those required by paragraph 21 of this SAS that the auditor deems necessary in the circumstances when reassessing the entity’s ability to continue as a going</p>	<p>To retain guidance from extant standard and retain current reporting model.</p>

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	<u>concern for a reasonable period of time.</u>	concern for a reasonable period of time.	
<p>A28. The identification of a material uncertainty is a matter that is important to users’ understanding of the financial statements. The use of a separate section with a heading that includes reference to the fact that a material uncertainty related to going concern exists alerts users to this circumstance.</p>	<p>A27:A28. <u>A28.</u> The identification of a material uncertainty is a matter that is important to users’ understanding of the financial statements. The use of a separate section with a heading that includes reference to the fact that a material uncertainty related to going concern exists alerts users to this circumstance.</p>		<p>Paragraph is not relevant within the US GAAS reporting scheme</p>
<p>A29. The Appendix to this ISA provides illustrations of the statements that are required to be included in the auditor’s report on the financial statements when International Financial Reporting Standards (IFRSs) is the applicable financial reporting framework. If an applicable financial reporting framework other than IFRSs is used, the illustrative statements presented in the Appendix to this ISA may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.</p>	<p>A28:A29. <u>A29.</u> The Appendix to this ISA provides illustrations of the statements that are required to be included in the auditor’s report on the financial statements when International Financial Reporting Standards (IFRSs) is the applicable financial reporting framework. If an applicable financial reporting framework other than IFRSs is used, the illustrative statements presented in the Appendix to this ISA may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.</p>		
<p>A30. Paragraph 22 establishes the minimum information required to</p>	<p>A29:A30. <u>A30.</u> Paragraph 22 establishes the minimum</p>		

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<p>be presented in the auditor’s report in each of the circumstances described. The auditor may provide additional information to supplement the required statements, for example to explain:</p>	<p>information required to be presented in the auditor’s report in each of the circumstances described. The auditor may provide additional information to supplement the required statements, for example to explain:</p>		
<ul style="list-style-type: none"> • That the existence of a material uncertainty is fundamental to users’ understanding of the financial statements;⁵⁴ or 	<ul style="list-style-type: none"> • That the existence of a material uncertainty is fundamental to users’ understanding of the financial statements;⁵⁵ or 		
<ul style="list-style-type: none"> • How the matter was addressed in the audit. (Ref: Para. A1) 	<ul style="list-style-type: none"> • How the matter was addressed in the audit. (Ref: Para. A1) 		
<p>Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements (Ref: Para. 22)</p>	<p>Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements (Ref: Para. 22)</p>		
<p>A31. Illustration 1 of the Appendix to this ISA is an example of an auditor’s report when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management’s</p>	<p>A30.<u>A31.</u> Illustration 1 of the Appendix to this ISA is an example of an auditor’s report when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of</p>		

⁵⁴ ISA 706 (Revised), paragraph A2

⁵⁵ ~~ISA 706 (Revised), paragraph A2~~

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<p>use of the going concern basis of accounting but a material uncertainty exists and disclosure is adequate in the financial statements. The Appendix of ISA 700 (Revised) also includes illustrative wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.</p>	<p>management’s use of the going concern basis of accounting but a material uncertainty exists and disclosure is adequate in the financial statements. The Appendix of ISA 700 (Revised) also includes illustrative wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.</p>		
<p>Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements (Ref: Para. 23)</p>	<p>Adequate Disclosure of a Material Uncertainty <u>Substantial Doubt</u> Is Not Made in the Financial Statements (Ref: Para. <u>par.</u> 23)</p>		
<p>A32. Illustrations 2 and 3 of the Appendix to this ISA are examples of auditor’s reports containing qualified and adverse opinions, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of the management’s use of the going concern basis of accounting but adequate disclosure of a material uncertainty is not made in the</p>	<p>A31. <u>A32.</u> Illustrations 2 and 3 of the Appendix to this ISA are examples of auditor’s reports containing qualified and adverse opinions, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of the management’s use of the going concern basis of accounting but adequate disclosure of a material uncertainty is not made in the</p>		<p>ISA guidance would be included within AU-C 705.</p>

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financial statements.	financial statements.		
A33. In situations involving multiple uncertainties that are significant to the financial statements as a whole, the auditor may consider it appropriate in extremely rare cases to express a disclaimer of opinion instead of including the statements required by paragraph 22. ISA 705 (Revised) provides guidance on this issue. ⁵⁶	A32.A33. In situations involving multiple uncertainties that are significant to the financial statements as a whole, the auditor may consider it appropriate in extremely rare cases to express a disclaimer of opinion instead of including the statements required by paragraph 22 a . ISA—AU-C section 705 (Revised) provides guidance on this issue. ⁵⁷		
Communication with Regulators (Ref: Para. 22□23)	Communication with Regulators (Ref: Para . par. 22–23)		
A34. When the auditor of a regulated entity considers that it may be necessary to include a reference to going concern matters in the auditor’s report, the auditor may have a duty to communicate with the applicable regulatory, enforcement or supervisory authorities.	A33.A34. When the auditor of a regulated entity considers that it may be necessary to include a reference to going concern matters in the auditor’s report, the auditor may have a duty to communicate with the applicable regulatory, enforcement or supervisory authorities.		
Management Unwilling to Make or Extend Its Assessment (Ref: Para.	Management Unwilling to Make or Extend Its Assessment (Ref:		

⁵⁶ ISA 705 (Revised), paragraph 10

⁵⁷ ~~ISA—AU-C section 705~~ (Revised), paragraph 10

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24)	Para. par. 24)		
A35. In certain circumstances, the auditor may believe it necessary to request management to make or extend its assessment. If management is unwilling to do so, a qualified opinion or a disclaimer of opinion in the auditor’s report may be appropriate, because it may not be possible for the auditor to obtain sufficient appropriate audit evidence regarding management’s use of the going concern basis of accounting in the preparation of the financial statements, such as audit evidence regarding the existence of plans management has put in place or the existence of other mitigating factors.	A34. <u>A35.</u> In certain circumstances, the auditor may believe it necessary to request management to make or extend its assessment. In — certain circumstances, the auditor may believe it necessary to request management to make or extend its assessment.—If management is unwilling to do so, a qualified opinion or a disclaimer of opinion in the auditor’s report may be appropriate, because it may not be possible for the auditor to obtain sufficient appropriate audit evidence regarding management’s use of the going concern basis of accounting in the preparation of the financial statements, such as audit evidence regarding the existence of plans management has put in place or the existence of other mitigating factors.		
	<u>Significant Delay in the Approval of Financial Statements (Ref: par. 26)</u>		
	<u>A35a. A significant delay in the approval of financial statements may not be as relevant when the</u>		Included incremental application

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	<u>applicable financial reporting framework specifies the evaluation period based on the date the financial statements are issued (or available to be issued when applicable) (for example, GAAP).</u>		guidance to make it clearer that the significant delay situation may not be relevant when the financial reporting framework’s evaluation is based on the issuance date or available to be issued.