



Agenda Item 1

Convergence—Disclosures

Objective of Agenda Item

To vote to ballot for exposure proposed amendments to AU-C sections for convergence with the IAASB Disclosures project.

Task Force members are:

- Jan Herringer, Chair
- Bridgett Gyorfi
- Laura Schuetze
- Courtney Drake
- Dan Wernke

Changes from July materials

In response to the ASB's direction at the July meeting, the Task Force made the following changes and considerations:

- ISA/AU-C 300
 - Par. A12b/A14b – added “are addressed” in lead-in to make explicit.
 - Same par.: 1st bullet: changed “a change in the required identification of segments and reporting of segment information arising from a significant business combination” to “disclosures about discontinued operations or a significant business combination”
- ISA/AU-C 315
 - Par 26/27 – changed “or to “and”

- Par A30/A30 – deleted “, and whether adequate disclosure of such issues in the financial statements has been made” and inserted “and disclosed” after “accounted for”, to be more concise
- Appendix C, considered whether to insert “including disclosures” after “financial statements” in the introductory sentence. *The Task Force determined that the phrase “financial statements, including disclosures” is used in the ISAs only in conjunction with discussion of the applicable financial reporting framework. Inserting “including disclosures” here would not be consistent with that convention.*
- ISA/AU-C 320
 - Par. A10/A12, last bullet, changed “segments” to “discontinued operations”
- ISA/AU-C 330
 - Par. 24/26 – reversed proposed change [to delete the word ‘presentation’](#).
 - Par. A52/A57 – retained the text deleted in the ISA [relating to ‘examination of journal entries and other adjustments’](#), as an example.
 - Par. A59/A72 - Changed “appropriate presentation, *arrangement* and content of the financial statements” to “appropriate presentation, *structure* and content of the financial statements” to be consistent with GAAS wording.
- ISA/AU-C 450:
 - Par. A13a/A19a – removed reference to specific industry from each example in bullets
 - Par. A13b/A19b – changed “persistent” to “recurring” to be consistent with GAAS wording.
- ISA/AU-C 700
 - ~~A3A4/A4-A8~~ – Second sub-bullet to last bullet- Considered what disclosures are intended to help users understand the risks of material misstatement. *The Task Force considered the intent of this amendment and concluded to neither change nor delete it. See Issue 1 below.*
 - A4b/A8b – Revised to clarify long sentence.

Wrap Material and Exposure Draft Plan

The ASB directed that the amendments from the Disclosures Project be integrated into the Auditor’s Reporting Exposure Draft. The proposed amendments to AU-C section 700 ~~and 705~~ will be added to the proposed 700 ~~and 705~~ SASs; the other amendments will be added to the amendments arising from the Auditor’s Reporting Project for exposure.

The Auditor’ Reporting wrap document sent with the Auditor Reporting ballot draft ~~will~~ has been revised for incorporation of the amendments relating to Disclosures as Agenda Item 1C ~~(after the Auditor Reporting ballot draft is sent but in advance of the September 11 ASB~~

meeting). Note that revisions suggested by the ASB during the balloting process are not reflected in Agenda Item 1C.

Materials Presented

- 1A Disclosures Matrix**
- 1B Amendments to GAAS**
- 1C Wrap material**

Issues for Discussion

1. Amendment to AU-C 700, A4/A8

Paragraph A4 of ISA 700 was revised to address the auditor’s consideration of such matters as “whether the disclosures are adequate to assist the intended user to understand...the nature and extent of risks of material misstatement arising from transactions and events”. The ASB questioned whether any financial reporting framework has disclosure requirements related to risks of material misstatement of the financial statements.

Review of the IAASB project materials showed that at its March 2014 meeting, prior to exposure, the IAASB inserted the words “of material misstatement” into the sentence. No changes to the bullet were made as a result of disclosure.

The ASB is asked whether to amend the bullet to “The nature and extent of risks and uncertainties ~~of material misstatement~~ arising from transactions and events”. If so, should this change be highlighted in the wrap material with a question for respondents?

2. Presentation of Amendments Arising from Disclosures Project

As directed by the ASB, amendments from the Disclosures project will be integrated into those sections for exposure. The wrap document lists AU-C sections and paragraphs amended by the Disclosures project. However, some paragraphs are amended by both projects. The Disclosures matrix showing the ISA amendments, the proposed disclosures amendments, and extant AU-C sections, will be posted as supplemental material.

The ASB is asked whether the amendments from the Disclosures project to AU-C sections 700, 210 and 260 should be distinguished from the revisions/amendments to those sections arising from the Auditor Reporting project in the Exposure Draft itself (through shading and footnotes explaining the reason for the shading).