Agenda Item 8

Auditing Accounting Estimates — Cover Letter and Discussion Memorandum

Discussion of Comment Letter Responses to "Requests for Comment" from the Exposure Draft *Auditing Accounting Estimates and Related Disclosures*

Objective

To provide the ASB with preliminary feedback from the comment letters received on the exposure draft *Proposed Statements on Auditing Standards—Auditing Accounting Estimates and Related Disclosures*, and to obtain direction from the ASB on certain matters.

Estimates Task Force

The Estimates Task Force (Estimates TF) members are:

- Dora Burzenski (Chair)
- Doug Bennett
- Jeanne Dee
- Ilene Kassman
- Mike Lundberg
- Martin Hurden
- Laura Schuetze

Background

On August 22, 2019 the ASB issued an exposure draft *Proposed Statements on Auditing Standards—Auditing Accounting Estimates and Related Disclosures* with comments due by November 22, 2019. The proposed SAS addresses the auditor's responsibilities relating to accounting estimates, including fair value accounting estimates and related disclosures, in an audit of financial statements. The Estimates TF received 30 comment letters. The comment letters can be viewed on the AICPA website by clicking here.

This discussion memorandum provides a discussion of the preliminary feedback we received from the comment letters.

Other Related ASB Projects

Audit Evidence

On June 20, 2019, the ASB issued an exposure draft of a proposed SAS *Audit Evidence* (Audit Evidence ED) to explain what constitutes audit evidence in an audit of financial statements and address how an auditor evaluates information to be used as audit evidence. The overall objective of the audit evidence project was to assess whether revisions of AU-C section 500, *Audit Evidence*, were necessary to address the evolving nature of business. Comments were due on the Audit Evidence ED by September 18, 2019. The Audit Evidence ED notes that as part of ISA 540 (Revised), the IAASB issued a series of conforming amendments to other ISAs, including conforming amendments to ISA 500. In general, the conforming amendments to ISA 500 included a new definition of ***external information sources***, and related application material. The Audit Evidence ED includes the IAASB's conforming amendments to ISA 500 that were finalized in connection with ISA 540 (Revised). The ASB made certain modifications to this content in order to achieve consistency with the attributes and factors of information put forth in the Audit Evidence ED. Paragraph 8 of the Audit Evidence ED defines *external information sources*. The application material and other information is presented primarily in appendix A, *Considerations Regarding the Use of External Information Sources*, and paragraphs A32 and A43 of the Audit Evidence ED. The Audit Evidence task force has proposed additional edits to this content to align with the changes to ISA 540 (Revised) as part of their comment letter process (see agenda item 2).

Risk Assessment

The Risk Assessment task force has been monitoring the IAASB's project to revise ISA 315, *Identifying and Assessing the Risk of Material Misstatement through Understanding the Entity and Its Environment*. At its meeting in September 2019, the IAASB approved the proposed ISA 315 as a final standard, including conforming amendments to other ISAs. The standard will be effective for audits of financial statements for periods beginning on or after December 15, 2021. At the October 2019 ASB meeting, the Risk Assessment Task Force presented preliminary issues for discussion with the ASB. The Risk Assessment task force will discuss a draft document at this ASB meeting. See agenda item 4 for additional information about this project.

Agenda Items Presented

- Item 8 — Estimates Cover Letter and Discussion Memorandum
- Item 8A — Estimates – Comment Letter Analysis of Request for Comment #1
- Item 8B — Estimates – Comment Letter Analysis of Request for Comment #2
- Item 8C — Estimates – Comment Letter Analysis of Request for Comment #3
- Item 8D — Estimates – Comment Letter Analysis of Request for Comment #4
- Item 8E — Estimates – Comment Letter Analysis of General Comments

Ms. Burzenski will use agenda item 8 for discussion purposes and will walk through the "supportive with comments" sections in agenda items 8A-8E.

Summary of Comment Letter Feedback

High Level Summary

Overall, the responses to the exposure draft, *Proposed Statements on Auditing Standards—Auditing Accounting Estimates and Related Disclosures* (Estimates ED) were supportive of moving forward with convergence with ISA 540 (Revised), subject to further revisions to the proposals in the ED to address comments received.

The Estimates TF received 30 comment letter responses. The Estimates ED contained four "Requests for Comment" (questions 1-4) seeking specific feedback from respondents. This discussion memorandum summarizes the responses for each of the "Requests for Comment" contained in the exposure draft and also highlights other comments raised by respondents to which the task force is seeking ASB guidance. All of the detailed responses to these questions are contained in separate files in agenda items 8A (question 1), 8B (question 2), 8C (question 3), and 8D (question 4). Agenda item 8E contains general comments received in the comment letters.

The Estimates Task Force will more fully consider the comments received on the Estimates ED and bring suggested revisions (discussion draft) for the ASB's consideration at the March 11, 2020 ASB meeting.

Summary of Responses to Requests for Comment and Issues for ASB Consideration

The following is a list of the issues included in this discussion memorandum for discussion with the ASB.

Issue #	***Title***
Request for Comment #1	
Issue 1	Fair Presentation
Issue 2	Impairment considerations
Request for Comment #2	
Issue 3	Scope and Structure of the Proposed SAS
Issue 4	Fair Value Measurements
Issue 5	Professional skepticism
Issue 6	Use of the term "reasonable"
Request for Comment #3	
Issue 7	AU-C section 501

Request for Comment #1

***Question 1* —** Given the approach by the ASB to draft the proposed SAS using a framework-neutral approach, are there any instances in which the use of certain examples or terminology in the proposed SAS would result in a lack of clarity when applying the financial reporting frameworks commonly used in the United States (for example, U.S. GAAP)?

The responses to question 1 in the Estimates ED were classified as follows:

- ***Terms were clear*** – the response was supportive of the Estimates ED and there were no instances noted in which the use of the terminology would result in a lack of clarity when applying a financial reporting framework in the U.S.
- ***Terms were clear with comments*** **-** the response was supportive of the Estimates ED and there were no instances noted in which the use of the terminology would result in a lack of clarity when applying a financial reporting framework in the U.S., however the respondent did have some comments for the ASB to consider
- ***Terms were not clear*** – the response was not supportive and indicated that there were instances in which the use of the terminology would cause a lack of clarity
- ***No response*** – the respondent did not specifically answer this question.

See agenda item 8A for all the responses to Request for Comment #1 and task force discussion.

Summary of Responses

	# of responses	Percentage
Terms are clear	22	73%
Terms are clear with comments	6	20%
Terms are not clear	0	0%
No response	2	7%
Total letters received	30	

Approximately 73% of respondents support the framework-neutral approach in the proposed SAS and did not note any instances in which the use of certain examples or terminology in the proposed SAS would result in a lack of clarity when applying the financial reporting frameworks commonly used in the U.S.

Six respondents provided additional comments for ASB consideration. These comments are included in agenda item 8A in the "supportive with comments" section. The ASB is asked to review the "supportive with comments" section in agenda item 8A (comment numbers 24-28).

The following are two areas in which the Estimates TF is seeking ASB views.

Of the six responses with comments, two respondents (ISCPAS and PWC) provided comments relating to fair value presentation considerations in paragraph 36 of the proposed Estimates SAS. **See issue 1 for a further discussion about fair presentation.**

Two respondents (KPMG and PWC) raised concerns with the content in paragraph A27 of the proposed estimates SAS. **See issue 2 for further discussion of paragraph A27.**

Issue 1 — Fair Presentation (Paragraph 36)

The task force discussed the comments received relating to paragraph 36 that requires the auditor to, in relation to the accounting estimate, evaluate whether management has included disclosures beyond those specifically required by the applicable financial reporting framework, that are necessary to achieve the fair presentation of the financial statements as a whole. One respondent (ICPAS) believes paragraph 26 and related application material in paragraph A144 should be removed from the proposed SAS because it does not need to be reemphasized in individual standards.

The task force noted that the definition of a fair presentation framework contained in paragraph 14 of AU-C section 200 introduces the concept that a fair presentation framework acknowledges that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework. Further, paragraph .16 of AU-C section 700 explains that the auditor's evaluation about whether the financial statements achieve fair presentation, should include consideration of the overall presentation, structure and content of the financial statements. The task force therefore believes that paragraph 36 of the proposed SAS clarifies that this step-back provision also pertains to disclosures relating to accounting estimates and should remain in the proposed SAS.

One respondent (PWC) suggested including additional language in the proposed SAS to provide further clarification that this evaluation is within the context of the applicable financial reporting framework.

The following table contains the comments relating to this topic.

Respondent	***Comment***
15 – Ill Society CPAs (ICPAS)	We question the clarity of disclosure requirements in the proposed SAS, specifically as outlined in paragraphs 36 and A144. Both paragraphs require auditors to evaluate whether management has included disclosures "beyond those specifically required by the framework that are necessary to achieve the fair presentation of the financial statements as a whole." We believe this

Respondent	***Comment***
(agenda item 8A, comment #26)	language should be removed from the proposed standard, as the language is already included in AU-C 200.14a and does not need to be emphasized in individual auditing standards. In general, we believe a more effective approach to address this issue would be to encourage the FASB board to amend existing standards around disclosure of estimates, rather than requiring individual auditors and their clients to agree on what additional disclosures "beyond those specifically required by the framework" should be added. Requiring auditors and their clients to consider disclosures beyond those required in an existing framework also creates uncertainty as to the requirements for compilation, review and financial statement preparation engagements, since these engagements are not subject to auditing standards.
30 – PWC (agenda item 8A, comment #29)	*Fair presentation* Consistent with our feedback to SAS 134, we believe the ASB should ensure that any requirements to evaluate fair presentation in its standards are grounded in, rather than incremental or potentially inconsistent with, the applicable financial reporting framework. Any changes to AU-C section 540 should not result in the auditor's responsibilities differing from what is required to evaluate whether the financial statements and related disclosures about accounting estimates are presented, in all material respects, in accordance with GAAP. The ASB cannot and should not establish disclosure requirements in auditing standards, so reference should be made more explicitly to US GAAP (in particular FASB and GASB standards), with guidance to explain what is expected to be achieved. We therefore suggest the following language from SAS 134 ***(paragraph A16)*** and an appropriate cross reference to AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*, be added as application material to paragraph 36: ***The auditor's professional judgment concerning the fairness of the presentation of the financial statements is applied within the context of the financial reporting framework. Without that framework, the auditor would have no consistent standard for evaluating the presentation of financial position, results of operations, and cash flows in financial statements.***

Action Requested of the ASB

1. The ASB is asked for their views about whether the proposed SAS should (a) remove paragraph 36; (b) include additional clarifying wording as proposed by PWC; or (c) remain as drafted.

Issue 2 — Impairment Considerations (Paragraph A27)

The content included in paragraph A27 of the proposed SAS was taken from paragraph .A17 of AU-C section 501. The task force had mixed views about whether this content should remain in the proposed SAS because the concepts will become outdated once the new credit loss model becomes effective, however the ASB retained this content for purposes of the exposure draft.

Two respondents (KPMG and Deloitte) recommended that paragraph A27 be removed from the proposed SAS (see comments below). In light of the comments received on the exposure draft the TF also recommends that paragraph A27 be removed.

Excerpt of paragraph A27

> **A27.** Regardless of the valuation method used, the applicable financial reporting framework might require recognizing, in earnings or other comprehensive income, an impairment loss for a decline in fair value that is other than temporary. Determinations of whether losses are other than temporary may involve estimating the outcome of future events and making judgments in determining whether factors exist that indicate that an impairment loss has been incurred at the end of the reporting period. These judgments are based on subjective as well as objective factors, including knowledge and experience about past and current events and assumptions about future events. The following are examples of such factors:
>
> - Fair value is significantly below cost or carrying value and
>
> — the decline is attributable to adverse conditions specifically related to the security or specific conditions in an industry or a geographic area.
>
> — the decline has existed for an extended period of time.
>
> — for a debt security, management has the intent to sell the security, or it is more likely than not it will be required to sell the security before the security's anticipated recovery of its amortized cost basis (for example, if the entity's cash or working capital requirements or contractual or regulatory obligations indicate that the debt security will be required to be sold before the forecasted recovery occurs).
>
> - The security has been downgraded by a rating agency.
>
> - The financial condition of the issuer of those securities has deteriorated.
>
> - Dividends have been reduced or eliminated, or scheduled interest payments have not been made.
>
> - The entity recorded losses from the security subsequent to the end of the reporting period.

The following table contains comments received relating to this topic.

Respondent	***Comment***
28 – KPMG (agenda item 8A, comment #28)	*Impairment Considerations in the Application Material* Paragraph A27 in the application material of the Proposed Standard focuses on evaluation of indicators of other than temporary impairment (OTTI) of financial instruments. We note that in U.S. GAAP, Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses* that was adopted by the Financial Accounting Standards Board (FASB) in June 2016 replaced the OTTI model with a credit loss model. As a result of this change, entities are now prohibited from avoiding the recording of credit losses by considering the length of time that the fair value of an available for sale debt security has been less than its amortized cost basis. Considering these changes to U.S. GAAP, we suggest that the Board reconsider the guidance included in the above-referenced paragraph in the application material of the Proposed Standard.
11 – Deloitte (agenda item 8C, comment #25)	• We believe that the movement of application paragraph A17 from AU-C section 501 to application paragraph A27 of the proposed SAS is not appropriate, as the inclusion of this paragraph within this respective section is out of place. This section (i.e., the application material to paragraph 12b of the proposed SAS) is intended to provide guidance on how the auditor understands the requirements of the applicable financial reporting framework as part of its understanding of the entity and its environment. The example appears too granular for this section as it discusses the nature of the significant judgments involved in estimating an impairment loss for a decline in fair value that is other than temporary, in addition to the level of subjectivity of the assumptions used to develop the accounting estimate. In addition, D&T believes that this paragraph may be outdated upon the adoption of the Current Expected Credit Loss (CECL) accounting standard. As such, we recommend removing this paragraph entirely from the proposed SAS.

Action Requested of the ASB

2. Does the ASB support the removal of paragraph A27 from the proposed SAS?

Request for Comment #2

Question 2 — Are paragraphs 2–9 of the proposed SAS helpful in describing the key concepts of the proposed SAS, and do they adequately explain the interplay between the proposed SAS and other AU-C sections

The responses to question 2 in the Estimates ED were classified as follows:

- ***Helpful*** – the response was supportive of the Estimates ED and paragraph 2-9 were considered helpful in describing the key concepts of the proposed SAS and they adequately explain the interplay between the proposed SAS and other AU-C sections.
- ***Helpful with comments*** - the response was supportive of the Estimates ED and paragraphs 2-9 were considered helpful in describing the key concepts of the proposed SAS and they adequately explain the interplay between the proposed SAS and other AU-C sections, however the respondents did have some comments for the ASB to consider
- ***Not helpful*** – the response was not supportive and indicated that paragraphs 2-9 were not helpful.
- ***No response*** – the respondent did not specifically answer this question.

See agenda item 8B for all the responses to Request for Comment #2 and task force discussion.

Summary of Responses

	# of responses	Percentage
Helpful	17	57%
Helpful with comments	12	40%
Not helpful	0	0%
No response	1	3%
Total Comment Letters	30	

Of the 30 respondents, 17 (57%) believe that paragraphs 2-9 of the proposed SAS are helpful in describing the key concepts of the proposed SAS and in explaining the interplay between the proposed SAS and other AU-C sections and did not suggest any changes. 12 respondents (40%) believe paragraphs 2-9 of the proposed SAS are helpful in describing the key concepts of the proposed SAS, however they had suggestions to further enhance the proposed SAS. The ASB is

asked to review the "supportive with comments" section in agenda item 8B (comment numbers 17-28).

The following is a summary of comment letter responses to question 2.

- Six respondents provided comments relating to the scope and structure of the proposed SAS and the interplay with AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* and AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*.
    - One of the five respondents (11–Deloitte) suggested the proposed SAS should emphasize from the outset that the assessment of the risk of material misstatement at the relevant assertion level is not separate to the requirement in AU-C 315, and suggested edits to paragraph 4. Similarly, one respondent (26 – BDO) believes the proposed SAS should provide additional explanations to emphasize the incremental requirements in the proposed SAS over other AU-C sections that are to be considered together.
    - Three respondents expressed concerns with including risk assessment concepts in the proposed SAS as follows: One respondent (7-WA) expressed concerns that the duplication of the requirements from other AU-C sections would be confusing and that those requirements should be retained in the other AU-C sections; one respondent (20 – Eide Bailly) believes it is confusing to introduce a separate assessment of inherent and control risk outside of AU-C section 315; and one respondent (28 – KPMG) expressed concerns that the more risk assessment requirements included in various stand-alone standards, the greater the risk that they will not be applied consistently.
- Three respondents commented on the concept of a ***spectrum of inherent risk***. One respondent (06-TXCPA) suggested the term "spectrum" as used in paragraph 4 should be changed to "range of inherent risk" because they believe that is a more common phrase; One respondent (15 – ISCPA) believes the proposed SAS should provide more clarity as to the application of the concept of "spectrum of inherent risk." and questions how this concept is integrated into AU-C 315; One respondent (24 – CohenReznick) questioned whether introducing a concept of "spectrum of inherent risk" will increase audit quality.
- Other comments received provided suggestions for clarification, terminology changes, or enhancements to the proposed SAS. All the comments are included in agenda item 8B under the section "Supportive with Comments."

The following issues relating to Request for Comment #3 have been included for ASB discussion:

Issue #	***Title***
Request for Comment #2	
Issue 3	Scope and Structure of the Proposed SAS
Issue 4	Fair Value Measurements
Issue 5	Professional skepticism
Issue 6	Use of the term "reasonable"

Issue 3 —Scope and Structure of the Proposed SAS

At the May 2019 ASB meeting the ASB discussed the proposed SAS *Auditing Accounting Estimates and Related Disclosures* (proposed Estimates SAS). At that meeting the ASB discussed the scope of the project and agreed that the proposed Estimates SAS should converge with ISA 540 (Revised) and the requirements and application material in ISA 540 (Revised) relating to risk assessment should be included in the proposed Estimates SAS rather than in AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*. Further consideration for including this content in AU-C section 315 may be made as part of the ASB's risk assessment project. The ASB also agreed that the requirements and application material relating to written representations should be retained in AU-C section 580, *Written Representations* and updated to align with the proposed Estimates SAS.

Further, the explanatory material of the exposure draft explained that the ASB's Risk Assessment Task Force has been monitoring the IAASB's project to revise ISA 315 and therefore further consideration for including content in AU-C section 315 will be made by the Risk Assessment Task Force as part of that project.

The following table contains the comments received in response to question 2 and from other general comments that touched on the scope of the project and whether to address risk assessment in the proposed estimates SAS or include that guidance in AU-C section 315.

Respondent	***Comment***
07 – WA State auditors (Agenda item 8B, comment #19)	We found some of this content to be helpful. However, we found that duplication of the requirements of other AU-C sections was confusing. For example, when paragraph 4 states "this proposed SAS requires inherent risk and control risk to be assessed separately" it calls into question whether AU-C 330.07 somehow does not require this already. We believe this assessment is already required; therefore, its inclusion in this standard is unnecessary.

Respondent	***Comment***
	It has not been the pattern of audit standards to fully duplicate general requirements for every application, but rather to expand on those requirements for certain specific applications (such as accounting estimates) and to use application guidance to identify examples of how the requirement should be applied. In this way, readers are not left guessing whether a particular requirement is the same as - or somehow different than - general requirements found elsewhere in standards. If the Board is intending to clarify or expand on general concepts (such as the discussion of the spectrum of inherent risk in paragraph 4), then we would encourage the Board to do so by amending these concepts as they are described in standards that apply generally, such as AU-C 315 or AU-C 330.
26 – BDO (agenda item 8B, comment #27)	We find paragraphs 2-9 of the proposed SAS to be helpful in describing the key concepts of the proposed SAS; however, we believe that additional explanations are necessary to emphasize the incremental requirements in the proposed SAS over the other foundational auditing standards that are to be considered in conjunction with one another. For example, the auditor's risk assessment procedures is a critical element of the proposed SAS, and builds on extant AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, by establishing additional requirements in the context of accounting estimates. We recommend that the Board add additional emphasis in the introductory paragraphs of the proposed SAS to draw the reader's attention towards these additional requirements that are to be applied in conjunction with extant AU-C section 315.
11- Deloitte (agenda item 8B, #21)	We believe these paragraphs are helpful to describe the key concepts of the proposed SAS. Further, we believe that the paragraphs explain the interplay between the proposed SAS and other AU-C sections in most cases; however, we recommend the following edit noted in bold underline to paragraph 4 within the Key Concepts of This Proposed SAS section to emphasize from the outset that the assessment of the risk of material misstatement at the relevant assertion level is not separate to the requirements in AU-C section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement (AU-C section 315): 4. For purposes of assessing the risk of material misstatement at the relevant assertion level for accounting estimates**, as required by AU-C section 315,** this proposed SAS requires inherent risk and control risk to be assessed separately. . .

Respondent	***Comment***
14 – NYSSCPA (Agenda Item 8B, comment #22)	f. Although the proposed requirement for a **separate assessment of inherent and control risks** is not specifically mentioned in paragraphs 2-9 of the proposed SAS, we believe this comment relates directly to the substance of Question 1. Both page 9 of the ED and paragraph 15 of the proposed SAS state that the proposed SAS would invariably require separate assessments of inherent and control risk for accounting estimates. In support of that proposed requirement, reference is made to AU-C 315.26-.27. However, separate assessments are not required under generally accepted auditing standards (GAAS) in any other audit application except to the extent necessary to identify a "significant risk" as discussed in AU-C 315.28-.29, and effectively defined there as one that requires "special audit consideration." AU-C 315.28-.29 further states that an auditor should use professional judgment to determine if special audit consideration is warranted based on, among other things, "the degree of subjectivity in the measurement of financial information related to the risk, ***especially those measurements involving a wide range of measurement uncertainty*** **[*emphasis added*]."** The language on page 9 of the ED and the first sentence in paragraph 15 of the proposed SAS seem to have the effect of precluding auditor's judgment, without regard to their degree of subjectivity, by prejudging all estimates as possessing "significant risk," thereby being inconsistent with AU-C 315.28-.29, and with paragraphs 2, 3, 7, and 16 of the proposed SAS. We suggest that these inconsistencies be addressed before a final standard is issued.
15 – Ill Society of CPAs (Agenda Item 8B, comment # 23)	We believe the scope section of the exposure draft adequately explains the relationship between the proposed SAS and most other sections of existing auditing standards. However, paragraph 4 uses the term "spectrum of inherent risk," and we believe it would be beneficial to provide more clarity as to application of this concept, including where different types of estimates fall within the spectrum. We would also like to see how this evaluation of risk is integrated into the existing risk assessment standards in Section 315.
20 – Eide Bailly (Agenda item 8B, comment #25)	Response: In paragraphs .04, .A66, .A67, the conforming amendments to AU-C 200 on page 83, and other places throughout the proposal the concept of risk assessment is discussed. Generally, we believe it is confusing to include new risk assessment requirements, such as the requirement to separately assess inherent risk and control risk and introducing the concept of "a spectrum of inherent risk",

Respondent	***Comment***
	outside of the existing risk assessment standards. We believe that if there are specific risk assessment concepts that need to be addressed or updated, such concepts should be addressed with amendments to the risk assessment standards.
24 – CohnReznick (Agenda item 8B, comment #26)	We believe paragraphs 2–9 of the proposed SAS are helpful in describing the key concepts of the proposed SAS. While paragraphs 2-9 do adequately explain the interplay between the proposed SAS and other AU-C sections, we recommend the flowchart from "Linkages Between Proposed 540 and Other AU-C Sections" which was included with the exposure draft, be included as an appendix. Regarding the concept of "spectrum of inherent risk," while the concept appears valid, we have concerns that in practice two occurrences may result: (1) auditors keep assessing risk as "low, high" or "low, moderate, high," etc. due to the proposed standard discussing assessing inherent risk at the "…lower end of the spectrum of inherent risk" or (2) driving auditors to spend time weighing various risks against one another on an unnecessarily granular scale (80% vs. 90% or even 80% vs. 85%). Such would drive auditor focus in a manner that may not result in an improvement in audit quality. Given the factors above, we question as to what the intended effect the ASB has in specifying the concept of a "spectrum of inherent risk" and wonder if the concept will actually improve audit quality.
28 – KPMG (Agenda item 8B, comment #28)	We appreciate that paragraphs 2-9 of the Proposed Standard may be helpful to some auditors. However, specifically with reference to the risk assessment procedures in paragraphs 12-14 of the Proposed Standard and their interplay with AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (AU-C section 315), we are concerned that the more risk assessment requirements are included in various stand-alone standards, the greater the risk that they will not be applied consistently. We agree with the Board's decisions to retain topics such as management's representations and communications with those charge with governance in the respective AU-C sections. We think that construct enhances both understanding and compliance. For this reason, we think audit execution would be better if the requirements for risk assessment from this Exposure Draft were ultimately integrated into AU-C section 315.

Action Requested of the ASB

3. Does the ASB continue to support the retention of the risk assessment guidance within the proposed SAS, consistent with how ISA 540 (Revised) has incorporated risk assessment?

Issue 4 — Fair Value Measurements

At the May 2019 ASB meeting the ASB agreed with the task force that the title of the proposed SAS should align with ISA 540 (Revised), "Auditing Accounting Estimates and Related Disclosures" and not include a reference to fair value accounting estimates, so that it is clear that the proposed SAS addresses all estimates. The ASB agreed to retain a reference to fair value accounting estimates in the first scope paragraph of the proposed SAS to clarify that the proposed SAS also covers fair value accounting estimates. The ASB supported the task force's view that the use of "and fair value accounting estimates" was not necessary to include throughout the proposed SAS because that would highlight one type of estimate when there are others that may be just as significant.

The following table contains the comments received in response to question 2 and from other general comments that related to including "fair value measurements" in the proposed SAS.

Respondent	***Comment***
19 – EY (agenda item 8B, comment #24)	We support the key concepts of the proposed SAS as outlined in paragraphs 2-9. To effectively audit estimates, including fair value measurements, auditors refer to many of the significant concepts of other AU-C sections. The complexity of auditing estimates may make the application of those AU-C sections more challenging and highlighting the nature of accounting estimates and key concepts of the proposed SAS is helpful to the reader. We believe that the key concepts of the proposed SAS could be further enhanced by reiterating the point made in paragraph 1 that a fair value measurement is a form of accounting estimate. This could be accomplished by making the following amendment to the first sentence of proposed paragraph 3: "Although this proposed SAS applies to all accounting estimates, ***including fair value measurements,*** the degree to which an accounting estimate is subject to estimation uncertainty will vary substantially." Consistent with the PCAOB's definition of an accounting estimate, we also recommend the following addition to the proposed definition of an accounting estimate in paragraph 11:

Respondent	***Comment***
	"Accounting estimate. A monetary amount for which the measurement, in accordance with the requirements of the applicable financial reporting framework, is subject to estimation uncertainty. ***A fair value measurement is a form of accounting estimate.***"
	We also recommend that the definition of an accounting estimate should be clarified to explain that an estimate may drive a decision not to recognize amounts in the financial statements. That is, we believe the definition should explicitly address estimates an entity uses in an analysis such as an asset impairment analysis, even if the entity does not recognize an impairment charge that relates to the estimates. TF note: Addressed in paragraph A14
19 – EY (agenda item 8E, comment #22)	We recommend the following edit to the title of the SAS: Auditing Accounting Estimates, <u>Including Fair Value Measurements</u>, and Related Disclosures

Use of term "Fair Value Accounting Estimate"

Throughout the proposed SAS the term "fair value accounting estimate" is used, given that "accounting estimate" is the term used to refer generically to an estimate, and "fair value accounting estimate" allows for additional clarity as to the nature of the estimate. The proposed SAS recognizes that for purposes of GAAS, a fair value measurement is also a form of accounting estimate (paragraph A14); this was added to ensure that the link to terminology used in the U.S. was made, without changing the fundamental terminology of "accounting estimate" used throughout the proposed SAS. One respondent recommends that the proposed SAS changes all instances of "fair value accounting estimates" to "fair value measurements" for understandability in the U.S. environment. Such a change would be a comprehensive change throughout the proposed SAS.

The following table includes comments received relating to use of the term "fair value accounting estimate":

Respondent	***Comment***
28 – KPMG (agenda item 8A, comment #28)	*Fair Value Measurements* While we appreciate the Board's desire to closely align with ISA 540 (Revised), for enhanced clarity, we encourage the Board to more closely align and consistently use the U.S. general purpose frameworks terminology of *fair value measurement* rather than *fair value accounting estimate*. This change results in consistency with U.S. accounting standard setters (e.g., FASB and GASB) and other auditing standard setters (e.g., PCAOB). Further, because AU-C section 501 does not exist in the ISAs, we believe there is often confusion as to whether investment securities measured at fair value are accounting estimates. A careful read of the Proposed Standard makes it clear that, absent a specific transaction, using a published price is an estimation technique for exchange traded securities valued using level 1 inputs. To clarify the matter for all auditors, Appendix 1 includes our suggested edits to the Proposed Standard intended to improve understandability and consistency of application of the Proposed Standard and the resulting audit quality.

Action Requested of the ASB

4. Does the ASB continue to believe that the title of the proposed SAS should align with ISA 540 (Revised) and not include the reference to fair value measurements or fair value accounting estimates in the title?
5. The ASB is ask for their views about whether the proposed SAS should change all "fair value accounting estimates" references to "fair value measurements"

Issue 5 — Professional Skepticism

At the May 2019 ASB meeting, one member of the ASB questioned why the term "professional skepticism" isn't used in paragraph 32 where the proposed SAS talks about management bias. The TF noted that the use of "possible management bias" is a way to *demonstrate* professional skepticism and is a term that is familiar from the standards. Further, paragraph A11 of the proposed SAS provides a roadmap for auditors to consider professional skepticism. Paragraph A11 states that "Paragraphs A60, A95, A96, A137 and A139 are examples of paragraphs that describe ways in which the auditor can exercise professional skepticism. Paragraph A152 provides guidance on ways in which the auditor's exercise of professional skepticism may be documented and includes examples of specific paragraphs in this proposed SAS for which documentation may provide evidence of the exercise of professional skepticism."

The ASB agreed to the structure of the proposed SAS as it relates to the use of possible management bias and professional skepticism; given this previous decision, the task force does not propose any changes in response to related comments.

The following table contains comments relating to professional skepticism.

Respondent	***Comment***
14 – NYSSCPA (agenda item 8B, comment #21)	(d) The subject of **professional skepticism** is particularly critical to auditing accounting estimates. We suggest that professional skepticism be more prominently placed directly in the body of the final standard and the discussion in paragraphs 7 and A11 be enhanced.

Action Requested of the ASB

6. Does the ASB continue to support the structure of the proposed SAS as it relates to the use of management bias and professional skepticism?

Issue 6 — Use of the term reasonable

The proposed SAS requires the auditor to evaluate, based on the audit procedures performed, and the audit evidence obtained, whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework or are misstated. Similarly, paragraph 15c of AU-C section 700 requires the auditor to evaluate whether the accounting estimates made by management are reasonable.

One respondent (NYSSCPA) suggested that the proposed SAS replace the term "reasonable" with "materially correct" or "not materially misstated." The task force believes the term reasonable is well understood within the auditing literature and could have unintended consequences if the term was changed in the proposed SAS. Therefore, the task force proposes to retain "reasonable."

The following table contains the comments received relating to this topic.

Respondent	***Comment***
14 – NYSSCPA (agenda item 8B, comment #22)	(e) Paragraph 8 of the proposed SAS defines **reasonable** with words that appear to be synonymous with "materially correct" or "not materially misstated" but the term, as defined, and used in paragraph 10, is limited more appropriately to the applicability of the accounting method to the circumstances, and the judgments made, as explained in paragraph A13, but without regard to the accuracy of the underlying data. We suggest that the proposed SAS be revised to replace the term "reasonable" in paragraph 8, along with related paragraphs, with a term that is more precise, such as "materially correct" or "not materially misstated."

Action Requested of the ASB

7. Does the ASB agree that the proposed SAS should retain the use of "reasonable" as discussed in this issue?

Request for Comment #3

Question 3 — Do you agree with the approach to the proposed changes to AU-C section 501? If not, please provide suggestions on a way forward.

The responses to the comment letters were classified as follows:

- ***Agree*** – the response was supportive of the Estimates ED and the respondent agreed with the approach to the proposed changes to AU-C section 501
- ***Agree with comments*** - the response was supportive of the Estimates ED and the respondent agreed with the approach to the proposed changes to AU-C section 501, however the respondent did have some comments for the ASB to consider
- ***Do not agree*** – the response was not supportive and did not agree with the approach to the proposed changes to AU-C section 501
- ***No response*** – the respondent did not specifically answer this question.

See agenda item 8C for all the responses to Request for Comment #2 and task force discussion.

Summary of Responses

Agree	23	77%
Agree with comments	5	17%
Do not agree	0	0%
No response	2	6%
Total Comment Letters	30	

Of the 30 comment letters received, approximately 77% of respondents agree with the approach to the proposed changes to AU-C section 501. 5 respondents (17%) agree with the approach to the proposed changes to AU-C section 501 however they provided additional comments for consideration. In particular, these 5 respondents recommended the ASB consider further projects to address areas such as, management specialists, use of third-party pricing sources, further alignment with PCAOB appendix A "Special Topics" of PCAOB Release 2018-005, and a holistic look at the remaining content in AU-C section 501. The ASB is asked to review the "supportive with comments" section agenda item 8C (comment numbers 24-28).

Issue 7 — AU-C Section 501

At the May 2019 ASB meeting the ASB agreed that limited amendments to AU-C section 501, *Audit Evidence — Specific Considerations for Selected Items* should be proposed to address any conflicts with the proposed Estimates SAS. The ASB supported consideration of a future project to take a holistic approach to the auditing guidance relating to investments when the valuations are based on the investee's financial results and for investments in derivative investments and securities measured or disclosed at fair value.

At the December 18, 2019 AITF meeting, the AITF discussed adding a project to the ASB's agenda to address AU-C section 501 and management's specialists. This project is tentatively scheduled to have an exposure draft issued by the end of 2020. See agenda item 6.

The following table contains the comments received in response to question 3 and from other general comments relating to this topic.

Respondent	***Comment***
10 - RSM US LLP (agenda item 8E, comment #1)	We encourage the ASB to undertake a project to evaluate the guidance in Appendix A, "Special Topics," of PCAOB Release 2018-005 and incorporate relevant policies and guidance from this appendix into AU-C 540. Topics considered in this appendix include (a) identifying and assessing the risks of material misstatement related to the fair value of financial instruments, (b) use of pricing information from third parties as audit evidence, (c) using pricing information from pricing services, (d) using pricing information from multiple services, (e) using pricing information from a broker or dealer and (f) unobservable inputs. Additional standards and guidance on these topics will better enable auditors to appropriately address the increasingly complex scenarios that arise from new accounting standards that include estimates and related disclosures. **Consideration of PCAOB Release No. 2018-006** Because the auditor often uses the work of specialists when auditing accounting estimates, we believe it is important for the ASB to also consider the content of PCAOB Release No. 2018-006, Amendments to Auditing Standards for Auditor's Use of the Work of Specialists, to discern whether any of those amendments may also be appropriate for an audit conducted in accordance with U.S. generally accepted auditing principles (U.S. GAAS). We believe the timely completion of the evaluation of the elimination of unnecessary differences between PCAOB Standards and U.S. GAAS in the use of the work of specialists is highly relevant to practitioners.

Respondent	***Comment***
10 - RSM US LLP (agenda item 8C, comment #24)	We agree that AU-C section 501, *Audit Evidence – Specific Considerations for Selected Items*, is designed to address considerations related to evaluating audit evidence and that the requirements in paragraphs .06 through .10 of AU-C section 501 primarily relate to performing audit procedures. Therefore, we agree that paragraphs .06 through .10 should be removed from AU-C section 501. We agree that the guidance from application paragraphs .A11, .A12 and .A14 through .A19 of AU-C section 501 has been included in the proposed SAS. However, to ensure that the guidance from the last sentence of application paragraph .A13 of AU-C section 501 is included in the proposed SAS, we suggest adding "Quoted market prices obtained from active markets generally provide sufficient evidence of the fair value of securities." in application paragraph .A129 of the proposed SAS after "Examples of sources related to (a) and (b) for derivative instruments and securities listed on national exchanges or over-the-counter (OTC) markets include financial publications, the exchanges, NASDAQ, or pricing services based on sources such as those."
11 – Deloitte (agenda item 8E, comment #2 and Agenda item 8C, comment #25)	We substantially agree with the approach to the proposed changes to AU-C section 501. However, overall, we recommend the ASB develop a holistic plan to clearly identify the scope and purpose of this AU-C section and in doing so consider whether a project should be undertaken by the Board to address the requirements and application material in AU-C section 501 to verify the special considerations that remain unique and specific to our jurisdiction. The following include our considerations over the proposed changes to AU-C section 501: • We believe the deletion of paragraphs .06–.10 from AU-C section 501 and the associated application paragraphs are appropriate, given these paragraphs highlight requirements primarily related to audit procedures that are already encompassed by the relevant requirements and guidance in the proposed SAS and are therefore duplicative. • We believe that one of the application paragraphs in AU-C section 501 (paragraph A12) implies that there may be some fair value determinations that are not accounting estimates, which is inconsistent with the proposed SAS. Therefore, we believe

Respondent	***Comment***
	deletion is acceptable in this case to be consistent with the proposed SAS. • We believe the last bullet included within application paragraph A128, which was moved to the proposed SAS from application paragraph A15 of AU-C section 501, should be reworded. If a valuation of derivative instruments or securities is based on assumptions that are highly subjective or sensitive in nature, it is likely that there will only be one reliable pricing source. In these cases, we may expect the auditor to test how management made the valuation rather than obtain estimates from more than one pricing source. We propose the following edit as a result: A128. . . When, for derivative instruments or securities, — a pricing source has a relationship with an entity that might impair its objectivity, such as an affiliate or a counterparty involved in selling or structuring the product, ~~or~~ ~~— a valuation is based on assumptions that are highly subjective or particularly sensitive to changes in the underlying circumstances~~ the auditor may determine that it is necessary to obtain estimates from more than one pricing source. • We believe that the movement of application paragraph A17 from AU-C section 501 to application paragraph A27 of the proposed SAS is not appropriate, as the inclusion of this paragraph within this respective section is out of place. This section (i.e., the application material to paragraph 12b of the proposed SAS) is intended to provide guidance on how the auditor understands the requirements of the applicable financial reporting framework as part of its understanding of the entity and its environment. The example appears too granular for this section as it discusses the nature of the significant judgments involved in estimating an impairment loss for a decline in fair value that is other than temporary, in addition to the level of subjectivity of the assumptions used to develop the accounting estimate. In addition, D&T believes that this paragraph may be outdated upon the adoption of the Current Expected Credit Loss (CECL) accounting

Respondent	***Comment***
	standard. As such, we recommend removing this paragraph entirely from the proposed SAS.
19 – EY (agenda item 8E, comment #15)	We believe the proposed SAS is generally in alignment with the Public Accounting Oversight Board (PCAOB) standards, which would reduce the risk of different conclusions being reached when audits are performed under PCAOB and AICPA standards. However, we recommend that the Board consider providing more guidance to address the use of specialists and third-party pricing information in auditing estimates.
28 - KPMG (agenda item 8E, comment #19)	**Further Consideration of Convergence with PCAOB AS 2501** Both the International Auditing and Assurance Standards Board (IAASB) and the Public Company Accounting Oversight Board (PCAOB) recently adopted new standards on auditing accounting estimates. Throughout their standard setting processes, both boards recognized that auditor challenges in this area are tied to inherent risk factors such as subjectivity, complexity and uncertainty and that audit response is to be appropriately designed depending on the assessed risk of material misstatement. We agree and further believe that the above-referenced inherent risk factors are not driven by the size of the entity or its status as a public or private company. For this reason, not only is convergence with the IAASB's ISA 540 (Revised) important but further consideration of the PCAOB's AS 2501 appears both necessary and desirable. Our specific suggestions in this regard are discussed throughout this letter. **Further Consideration of Impact of the Proposed Audit Evidence Standard on This Proposed Standard** Our comment letter on the Audit Evidence Exposure Draft provided our thoughts regarding how information, both internal and external, should be evaluated. While we did not object to the proposed definition of external information sources, including the related application material included in Appendix A, a number of our other comments on the proposed standard on audit evidence will likely affect the application material of this Exposure Draft. In particular, in our response to question 3 of the specific request for comment below, we provide our reasons for requesting that the Board evaluate the need for more specific guidance related to auditors' use as audit evidence of pricing information from third-party sources, considering the guidance in Appendix A – Special Topics of AS 2501.

Respondent	***Comment***
	In addition, the Audit Evidence Exposure Draft indicates that the Board is considering whether to relocate content related to the auditor's use of the work of management's specialists to another AU-C section. While a specific section and amendments, if any, have not yet been exposed, we have identified certain requirements and application material regarding the work of management's specialists in this Exposure Draft that we believe require further consideration as part of the Board's work on both the Exposure Draft and the Audit Evidence Exposure Draft.
28 – KPMG (agenda item 8E, comment #20)	While we are generally supportive of the Proposed Standard as exposed, in addition to our responses to those questions posed by the Board, we respectfully request the Board's further consideration of whether further convergence with PCAOB Auditing Standards (AS) would benefit practitioners, and the interrelationship of this Exposure Draft with the Board's Exposure Draft of the Proposed Standard, Audit Evidence (Audit Evidence Exposure Draft).
28 – KPMG (agenda item 8C, comment #27)	We generally agree with the proposed changes to AU-C section 501, relocating the specific content for investments and derivatives originally sourced from AU 332. These changes bring the Proposed Standard closer to the ISAs where AU-C section 501 does not exist. We encourage the Board to recognize that moving the content into the Proposed Standard is only the first step. *Investments in Derivative Instruments and Securities Measured or Disclosed at Fair Value* In the U.S., capital market regulations dictate how transactions in derivative instruments and securities measured or disclosed at fair value are processed and U.S. GAAP dictates valuation. The inherent risk associated with subjectivity, complexity and uncertainty of these securities is not affected by the status of an entity as either public or private. The risk associated with using information sourced from third party pricing services also should not be fundamentally different. And yet, if the Proposed Standard and related amendments are adopted as exposed, the auditing standards related to evaluation of pricing information provided by third parties would be different for public and private entities and the Board's requirements would arguably be out of sync with both the financial reporting frameworks and how these instruments are transacted. We recognize that ISA 540 (Revised) acknowledges pricing services as external information sources and that the Proposed Standard integrates the requirements and related

Respondent	***Comment***
	application material moved from AU-C section 501.06-.10 as an intermediary step. However, the integration of specific content that has not been reconsidered in many years with the ISA content is detracting from the usefulness of the new requirements and application guidance in the Proposed Standard. The following paragraphs provide examples of integration of content from the extant AU-C section 501 into the Proposed Standard that we believe require further consideration and modernization: • Extant paragraphs A13 and A14 of AU-C section 501 are now in paragraph A129 of the Proposed Standard – The content is accurate in that estimates of fair value [for market prices] may be obtained from other sources and that "using such a price quote to test valuation assertions may require special knowledge to understand the circumstances in which the quote was developed". However, unlike the PCAOB's special topics appendix to AS 2501, the Proposed Standard does not provide guidance on how such knowledge may be obtained. Further, it is not clear how the content of this application paragraph regarding the relevance and reliability of fair value of trades relates to the content in paragraph A128 regarding alternative sources, using multiple sources and evaluating an entity's relationship with the third party source in determining whether it is necessary to obtain information from more than one pricing source. Extant paragraph A15 of AU-C section 501 is now in paragraph A128 of the Proposed Standard – We are unclear as to how "Proposed SAS Audit Evidence" is relevant when the external information source uses its own models. We also note that the wording of paragraph A128 is different than paragraph A132 such that we are unclear as to whether execution is intended to be different as well.
	The PCAOB's significant efforts to understand the valuation methodologies used by third party pricing services and how management uses the information resulted in the special topics appendix to AS 2501 for financial instruments that we believe is generally responsive to current practices of pricing services and the underlying risks. Therefore, we believe that the Board should further consider the PCAOB's guidance to revise and modernize the application material on the use of pricing services as audit evidence.

Respondent	***Comment***
	Investments in Securities When Valuations are Based on the Investee's Financial Results (Excluding Equity Method) The content retained in extant AU-C section 501.04-.05, and related application material in paragraphs A4-A6 is generally consistent with the PCAOB's Appendix B to AS 1105, *Audit Evidence Regarding Valuation of Investments Based on Investee Financial Results*. The PCAOB largely retained the extant requirements with only limited conforming changes to better align the required procedures with the risk assessment standards when neither AS 1201 (supervision) nor AS 1205 (other independent auditors) applies. The PCAOB did not intend to substantively change audit practice in this area. We are supportive of the limited amendments made to these paragraphs as a beginning. Since the guidance on alternative investments was first issued in 2005, there have been changes to U.S. GAAP (e.g., introduction of NAV as a practical expedient of fair value), inconsistencies in describing relevant audit procedures in a number of AICPA Audit and Accounting Guides and non-authoritative technical questions and answers. Because we believe that practice is mixed as to how entities use and auditors evaluate investee financial results as an input into a fair value measurement, we believe the time is appropriate to revisit the existing requirements and provide updated and more consistent guidance on how to use and evaluate investee financial results as an input to an accounting estimate. This relates in particular to the following matters:
	• Procedures to be performed to obtain sufficient and appropriate audit evidence for the period between the investee's financial reporting date and the investor's measurement date; • Alternative procedures to be performed when the available financial information of the investee has not been audited; and • Differences in the auditing standards applied in the audit of the investee's financial statements and those used in the audit of the investor's financial statements. In addition, we note that the PCAOB included a note in the new appendix B to AS 1105 which indicates that to the extent the audited item "reflects factors that are not recognized in the investee's financial statements or fair values of assets that are materially different from the

Respondent	***Comment***
	investee's carrying amounts", the auditor should look to the requirements of AS 2501 on auditing accounting estimates for further guidance. We believe that a similar note explaining the applicability of various requirements to auditing valuations based on the investee's financial results that also reflect other factors would benefit the users of the Proposed Standard and the amended AU-C section 501. *Additional cross-references between standards would be beneficial* To aid in application of the Proposed Standard, we recommend additional cross-referencing. Specifically, we suggest the following edit. ***Other Considerations Relating to Audit Evidence*** (additions underscored) **29.** In obtaining audit evidence regarding the risks of material misstatement relating to accounting estimates, irrespective of the sources of information to be used as audit evidence, the auditor should comply with the relevant requirements in AU-C sections 500 and 501.
30 – PWC (agenda item 8C, comment #28) (Agenda item 8E, comment #23)	We support the ASB's decision to relocate material in AU-C section 501 related to obtaining sufficient appropriate audit evidence about the valuation of securities and derivative instruments to the proposed SAS. The ASB should consider whether the remaining material in AU-C section 501 remains relevant or if updates are necessary in light of its current projects to revise AU-C section 500 and AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*. *Consideration of PCAOB standard-setting activities* We appreciate the ASB's consideration of the PCAOB's changes to its standard addressing estimates in developing the proposed SAS. In revising its estimates standard, the PCAOB concurrently amended other standards to better address the use of the work of company specialists and auditor specialists. We encourage the ASB to consider whether similar enhancements to its suite of standards would be appropriate.

Respondent	***Comment***
15 – ICPAS (agenda item 8C, Comment #26)	We believe that the removal of paragraphs .06 - .10 from AU-C section 501 is appropriate, as the requirements related to investments in derivative instruments and securities measured at fair value within this section are more related to performing audit procedures and not related to evaluating audit evidence, as AU-C section 501 requires. However, we question why requirements of other areas cited in this section, specifically the existence and condition of inventory (paragraphs .11 - .15) and completeness of litigation, claims, and assessments (paragraph .16) are also not designated for removal from AU-C section 501, as the requirements for these areas also involve performing audit procedures, that appear to be duplicated in the proposed SAS.

Action Requested of the ASB

8. Does the ASB continue to agree that the proposed SAS should converge with ISA 540 (revised) and therefore any further changes needed to be considered relating to Appendix A, "Special Topics," of PCAOB Release 2018-005, or other sections of AU-C section 501 should be addressed by a separate project?

Request for Comment #4

Question 4 — Does the proposed effective date provide sufficient time for preparers, auditors, and others to adopt the new standard and related conforming amendments?

Summary of Responses

Agree	21	70%
Agree with comments	6	20%
Do not agree	1	3%
No response	2	7%
Total Comment Letters	30	

73% of respondents believe the proposed effective date provides sufficient time for preparers, auditors, and others to adopt the new standards and related conforming amendments.

Of the 5 respondents who provided further comment, 2 respondents (EY and Eide Bailly) believe the ASB should provide a minimum of 18 months from when the proposed SAS is voted final before it becomes effective. If the ASB votes this proposed SAS in May 2020 (as planned) then the proposed effective date would be sufficient.

1 respondent (BDO) believes the ASB should consider aligning the effective dates with that of the AU-C 315 project because that is foundational to the proposed SAS and such an approach may reduce the practical challenges associated with implementing the proposed SAS prior to the forthcoming revisions to the risk assessment standard.

1 respondent (PWC) believes it would be helpful to align the effective date of the proposed SAS with the proposed changes to AU-C section 500 to enable firms to consider how best to update their methodologies and tools to take into account enhanced performance requirements related to auditing estimates and evaluating the results of those procedures and other information that may be used as audit evidence.

1 respondent (GT) strongly recommends that the Board align the effective dates of this proposed standard and the standard that results from the ISA 315 (Revised) project to allow for auditors to appropriately implement the potential requirements related to risk assessment which are likely to be substantial.

1 respondent (NASBA) while agreeing that the proposed effective date would provide enough time would welcome the opportunity to move up the effective date, given the nature of the subject matter and the fact that the PCAOB has already issued Auditing Standard 2501 (Revised) with an effective date for audits of fiscal years ending on or after December 15, 2020.

1 respondent (TX CPAs) believes the effective date should be for audits of periods ending on or after December 15, 2021 to enable practitioners to adequately consider the proposed standard when conducting audit planning for the year ending December 31, 2022.

The ASB is asked to review comments 22-28 in agenda item 8D.

Action Requested of ASB

9. The ASB is asked for their preliminary views about the alignment of effective dates among various projects.