



## Agenda Item 8B

### Auditing Accounting Estimates — Comments Letters Analysis (Letters 1-30): Request for Comment #2

This file contains the responses received relating to question 2 in the Request for Comment. This file is organized by respondent and classified as to whether the response was supportive, supportive with comments, not supportive, or there was no response relating to the Estimates ED. Each comment is numbered sequentially. The first column (“Comment No. (with comments)”) contains a link to those responses with comments to help navigate the content.

#### Comment Letter Listing

<i>Comment No.</i>	<i>Letter No.</i>	<i>Affiliation</i>
<a href="#">17</a>	1	Tennessee Division of State Audit
	2	Ainsley Winterrowd
	3	Jordon Londer
	4	NASBA
	5	CalCPA
<a href="#">18</a>	6	Texas Society of CPAs (TXCPA)
<a href="#">19</a>	7	Office of the Washington State Auditor
	8	Virginia Society of CPAs (VSCPAs)
	9	Michigan Office of the Auditor General (MI OAG)
<a href="#">20</a>	10	RSM US LLP

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<i>Comment No.</i>	<i>Letter No.</i>	<i>Affiliation</i>
<a href="#"><u>21</u></a>	11	Deloitte & Touche LLP
	12	U.S. Government Accountability Office (GAO)
	13	WIPFLI/Mind the GAAP
<a href="#"><u>22</u></a>	14	NYSSCPA
<a href="#"><u>23</u></a>	15	Illinois CPA Society (ICPAS)
	16	Commonwealth of Virginia
	17	National State Auditors Association (NSAA)
	18	GT
<a href="#"><u>24</u></a>	19	EY
<a href="#"><u>25</u></a>	20	Eide Bailly
	21	Florida Institute of CPAs (FiCPA)
	22	TIC
	23	The Connecticut Society of CPAs (CT CPAs)
<a href="#"><u>26</u></a>	24	CohnReznick
	25	CliftonLarsonAllen LLP (CLA)
<a href="#"><u>27</u></a>	26	BDO
	27	Hunter College Graduate Program
<a href="#"><u>28</u></a>	28	KPMG
	29	American Bankers Association (ABA)
	30	PWC

## Responses to Request for Comment #2

### Request for Comment #2

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?

### Detailed Responses

	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
<i>Supportive</i>			
1	02 – Ainsley Winterrowd	In regard to the second request for comment I believe that paragraphs 2-9 do adequately describe the key concepts that apply to this proposed SAS and how they interplay with other AU-C sections. This is shown in paragraph 5 by relating these concepts to AU-C sections 315 and 330, where the importance of this new proposal of assessing the risk levels aid these sections.	Supportive
2	03 - Londer_JS_	Paragraphs 2-9 of the proposed SAS are helpful in describing the key concepts of the proposed SAS and do adequately explain the interplay between the proposed SAS and other AU-C Sections. Specifically, paragraphs 2 and 3 clearly describe the nature of accounting estimates and how the proposed SAS applies to all estimates. Paragraphs 4 – 8 identify the key concepts of the proposed change and how individual sections will be impacted. Specifically, paragraph four identifies what standards are used to	Supportive

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		<p>assess inherent and control risk in reference to the overall risk of material misstatement as well as how the proposed change will simplify assessing inherent risk. Paragraph five identifies the relevant requirements that will be modified as well as emphasizes the importance of accounting estimates. Paragraph six emphasizes what the proposed change will mean when the auditor’s further procedures need to be responsive to the risk of material misstatement at the relevant assertion level. Paragraph seven explains how professional skepticism should still be implemented with the proposed standard update. Paragraph nine clearly identifies the interplay between the proposed updated and the impacted AU-C sections and paragraph nine explicitly states the date said proposed change will become effective if approved.</p> <p>As a whole, paragraphs 2 – 9 of the proposed SAS updated are helpful in describing the concepts being proposed and do adequately explain the interplay between the proposed SAS and AU-C sections. Thank you for the opportunity to submit my opinion on section 2 of the request for comment of the proposed SAS change.</p>	
3	04 - NASBA	We believe that paragraphs 2-9 of the proposed SAS are helpful in describing the key concepts of the proposed SAS. We believe they adequately explain the interplay between the proposed SAS and other AU-C sections.	Supportive
4	05 Cal CPA-	Yes; we believe these paragraphs are helpful to explain the relationships between the proposed SAS and other AU-C sections.	Supportive

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
5	08- VSCPA	The Committee agrees that the information provided in paragraphs 2-9 of the proposed SAS is helpful in relation to the key concepts.	Supportive
6	09-MI OAG	Response: Yes, these paragraphs provide the Board’s concepts regarding estimates such that practitioners may apply the standards to their financial reporting framework. We consider the paragraphs informative and offer no suggested revisions.	Supportive
7	12 - GAO	In our view, paragraphs 2 through 9 of the proposed SAS are helpful in describing the key concepts and adequately explain the interplay between the proposed SAS and other AU-C sections.	Supportive
8	13 - Wipfli and Mind the GAAP	We found paragraph 2-9 of the proposed SAS to be helpful in describing the key concepts of the proposed SAS; they adequately explain the interplay between the proposed SAS and other AU-C sections.	Supportive
9	16 - Virginia	We believe that paragraphs 2–9 of the proposed SAS are helpful in describing the key concepts of the proposed SAS and that they adequately explain the interplay between the proposed SAS and other AU-C sections.	Supportive
10	17 - NSAA	Yes, we believe the proposed SAS sufficiently describes the key concepts and adequately explains the interplay between the proposed SAS and other AU-C sections.	Supportive

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
11	18 - GT	Because the proposed SAS is more robust than what exists in the current standard, we found paragraphs 2-9 to be helpful in summarizing the key concepts of the proposed SAS. We encourage the Board to retain these paragraphs in the final standard in order to assist auditors in navigating the new requirements.	Supportive
12	21 - Florida Institute of CPAs	Request for Comment 2 – The Committee believes the information in paragraphs 2 – 9 of the ED adequately describe the key concepts as well as the interplay between the proposed SAS and other AU-C sections.	Supportive
13	22 - TIC	TIC believes that paragraphs 2-9 of the ED appropriately describe the key concepts and their relationship to other AU-C sections. TIC is pleased that the concept of scalability is clearly addressed in the description of the nature of accounting estimates (paragraph 3) which provides important context to the discussion of the key concepts which follow.	Supportive
14	23 - CT CPA	The paragraphs 2-9 of the proposed SAS adequately explain the key concepts and the interplay between this proposed SAS and other AU-C sections.	Supportive
15	25 - CLA	Response: We believe paragraphs 2–9 of the proposed SAS are helpful in describing the key concepts of the proposed SAS and that they adequately explain the interplay between the proposed SAS and other AU-C sections.	Supportive

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
16	27 - Hunter college	<p>These paragraphs make a clear presentation of the susceptibility of accounting estimates to misstatement due to the complex nature of factors that affect the valuation of events or transactions that business environments are prone to in the normal course of business. The interplay of the key topics and concepts of material misstatements and the inherent risk of complex events is conveyed in a clear manner to aid the understanding of auditors in evaluating the relevant facts and circumstances of economic events. These paragraphs make clear the key role that relevant financial reporting standards play in providing guidance to accountants and auditors in faithfully presenting economic events free of bias and misstatements to aid the users of accounting information. Putting a big emphasis on scalability and how different kinds of processes are affected differently by inherent risk will allow auditors to focus on those aspects most susceptible to financial misstatements. Understanding complexity and providing guidance for the auditor to exercise professional skepticism, in all stages of the audit, will enhance the approach auditors take in carrying out their assessments. Using an analytical approach in evaluating the risk of subjectivity with respect to judgments, regarding the evaluation and valuation of events, will provide the auditor with some powerful conceptual tools in carrying out their duties and in challenging circumstances and conditions that may raise doubts about their validity.</p>	Supportive

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		With respect to the interplay between this proposed SAS and other AU-C sections, the relationships and references pointed out do not give a complete picture of all the relevant sections mentioned from other AU-C. Such a task cannot be fulfilled in these opening paragraphs as those references and guidance are further connected to this SAS as the topics arise in the body of this proposed SAS. A minimal discussion avoids confusing the reader as the topics would be too varied and covered briefly if mentioned in these short paragraphs.	
16A	30 - PWC	We believe that the ASB’s inclusion of these paragraphs, which introduce the nature of accounting estimates and the key concepts of the proposed SAS, will be helpful to the auditor’s understanding in applying the proposed SAS. We agree that providing this upfront context to facilitate the auditor’s understanding of how the concepts within the proposed SAS build upon requirements in other AU-C sections can enhance the auditor’s ability to effectively apply these new or amended requirements.	Supportive
<b><i>Supportive With Comments</i></b>			
17	01 - TN State Audit	We agree that the proposed SAS is helpful in describing the key concepts of the proposed SAS and adequately explains the interplay between the proposed SAS and other AU-C sections. However, “point estimate” could be clarified in the definition of the auditor’s or management’s point estimate. How is this different than just an “estimate?” Why is the modifier needed?	Supportive with comments TF believes the definitions in paragraph 11 are clear and the point estimate definition should be well understood. No changes proposed

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
18	06 - TXCPA PSC	<p>Response: With few exceptions, the committee did not have an issue with any of the concepts in paragraphs 2-9 of the proposed SAS. In paragraph 4, the use of the word “spectrum” in relation to inherent risk seems strange. The committee prefers the more common phrase of “range of inherent risk.” The standard does not appear to contain any new auditing requirements. The committee agrees with the framework neutral approach taken in the proposed SAS.</p>	<p>Supportive with comments</p> <p>TF believes the term should align with ISA 315 (Revised) terminology. The TF believes it would be confusing to use different words for the same concept.</p>
19	07- WA state auditors	<p>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.</p> <p>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.</p>	<p>Supportive with comments</p> <p>The TF noted that the inclusion of general requirements from other AU-C sections in the proposed SAS was an intentional construct of the proposed SAS to emphasize the link between the AU-C sections.</p> <p>No change proposed.</p> <p>See Issue 3 in agenda item 8</p>

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		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.	
20	10 - RSM	<p>We believe that, overall, paragraphs 2 through 9 are helpful in describing the key concepts of the proposed SAS and adequately explain the interplay between the proposed SAS and other AU-C sections. However, we suggest consideration be given to adding audit documentation as a key concept of the proposed SAS and to referencing AU-C section 230, Audit Documentation, and the Audit Evidence SAS after it is issued. This would further remind auditors that (a) audit documentation is a critical aspect of auditing estimates and (b) the proposed SAS should not be considered in isolation, but rather as part of the AU-C sections taken together.</p> <p>We believe paragraph 7 should be revised as follows to remind auditors that the exercise of professional skepticism is required in all circumstances (proposed additions are shown in bold font and proposed deletions are struck through):</p> <p style="padding-left: 40px;">The exercise of professional skepticism in relation to accounting estimates is affected by the auditor’s consideration of inherent risk factors, <del>and its importance.</del></p>	<p>Supportive with comments</p> <p>The TF believes that paragraphs 2-9 relate to key concepts in the proposed SAS with a focus on execution. The requirement relating to audit documentation is not a new concept relating to estimates and is not incremental content, therefore the TF proposes no changes.</p>

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		<p><b>The extent to which professional skepticism is exercised</b> increases when accounting estimates are subject to a greater degree of estimation uncertainty or are affected to a greater degree by complexity, subjectivity, or other inherent risk factors. Similarly, the exercise of professional skepticism, <b>which always is required</b>, is <b>even more critical</b> important when there is greater susceptibility to misstatement due to management bias or fraud. (Ref: par. A11)</p>	<p>The TF will consider the proposed changes to paragraph 7.</p>
21	11 - Deloitte	<p>We believe these paragraphs are helpful to describe the key concepts of the proposed SAS.</p> <p>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):</p> <p style="padding-left: 40px;">4. For purposes of assessing the risk of material misstatement at the relevant assertion level for accounting estimates, <b><u>as required by AU-C section 315</u></b>, this proposed SAS requires inherent risk and control risk to be assessed separately. . .</p>	<p>Supportive with comments</p> <p>TF will consider the proposed changes to paragraph 4.</p> <p>See issue 3 in agenda item 8.</p>

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
22	14 - NYSSCPA	<p>Response: Generally, we noted synchronization between the proposed SAS and the other AU-C sections, except as set forth in (a)-(g) below where we offer suggestions to strengthen consistency.</p> <p>(a) The proposed SAS states in part in paragraph 3:</p> <p style="padding-left: 40px;">“For certain accounting estimates, estimation uncertainty may be very low, based on their nature, and the complexity and subjectivity involved in making them may also be very low. For such accounting estimates, the risk assessment procedures and further audit procedures required by this proposed SAS would not be expected to be extensive.”</p> <p>The proposed SAS suggests that the complexity and subjectivity of an estimate should be assessed separately to have a high or low level of “<i>uncertainty</i>.” We believe that the degree of uncertainty versus reliability should be considered an integral component consideration in the assessment of inherent risk of material misstatement.</p> <p>For example, depreciation expense, which is based on an estimated useful life with a low degree of uncertainty might nevertheless be evaluated to have a high inherent risk. Contrast that with a complex derivative instrument, for which the valuation has a high level of uncertainty and ordinarily should be subject to multiple controls to assure management that the estimate is done properly, thus reducing the combined risk of material misstatement to low.</p>	<p>Supportive with comments</p> <p>The comment does not propose any changes to be made to the proposed SAS and the TF believes no changes are necessary.</p>

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		<p>(b) Paragraph 8 of the proposed SAS guides auditors with respect to the methodology that is applied by management to arrive at an accounting estimate states, in part:</p> <p>“For purposes of this proposed SAS, reasonable, in the context of the applicable financial reporting framework, means that the relevant requirements of the applicable financial reporting framework have been applied appropriately, including those that address the following: (Ref: paragraph A12–A13 and A140–A145)</p> <ul style="list-style-type: none"> <li>- The development of the accounting estimate, including the <i>selection of the method</i>, assumptions, and data in view of the nature of the accounting estimate and the facts and circumstances of the entity [<i>emphasis added</i>] ...”</li> </ul> <p>The selection of method is relevant to any evaluation of an estimate, and we suggest that the final standard indicate that once an entity selects a method, the auditor should determine whether the entity has applied that method consistently based on the applicable financial reporting framework.</p> <p>(c) Paragraph 3 of the proposed SAS refers auditors to paragraph A7 for guidance on <b>scalability</b>. We suggest that the proposed SAS provide enhanced guidance when discussing scalability in paragraph A7, A21, A22 and elsewhere in the proposed SAS wherever the term is mentioned.</p>	<p>TF believes no change is necessary because the concept of consistency is embedded in the accounting framework.</p> <p>The TF noted that examples contained in audit guides to aid in implementation may be a better option rather than included more in the proposed SAS. The proposed SAS creates the framework. No change proposed.</p>

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		<p>(d) The subject of <b>professional skepticism</b> 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.</p> <p>(e) Paragraph 8 of the proposed SAS defines <b>reasonable</b> 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.</p> <p>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.”</p>	<p>See Issue 5 in agenda item 8.</p> <p>TF believes the term “reasonable” is well established in auditing and believes it is the appropriate term for the proposed SAS. No changes proposed.</p> <p>See Issue 6 in agenda item 8.</p>
		<p>(f) Although the proposed requirement for a <b>separate assessment of inherent and control risks</b> 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</p>	<p>TF noted that at the May 2019 ASB meeting, the ASB 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</p>

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		<p>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, <i>especially those measurements involving a wide range of measurement uncertainty [emphasis added].</i>"</p>	<p>the proposed Estimates SAS rather than in AU-C section 315 See Issue 3 in agenda item 8.</p>
		<p>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.</p>	<p>TF does not believe this proposed SAS would preclude auditor judgment. No changes proposed.</p>

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		<p>(g) Auditors often establish point or range estimates by using variable sampling techniques. We believe the adjustment guidance in paragraph A140 of the proposed SAS (discussed above in part (f) of our response to this Question and under the caption “Other Comments” below) appears somewhat inconsistent with paragraph A28 of AU-C 530, Audit Sampling, which provides, in part, as follows:</p> <p>“If the auditor concludes that audit sampling has not provided a reasonable basis for conclusions about the population being tested the auditor may;</p> <ul style="list-style-type: none"> <li>- request management to investigate the misstatements that have been identified and the potential for further misstatement and to make any adjustments or</li> <li>- tailor the nature timing and extent of those further procedures to achieve the required assurance.”</li> </ul>	<p>TF believes that the reasonableness of a point estimate and sampling are different concepts. No change proposed.</p>
		<p>Subject to our other comments in this letter about paragraph A140 of the proposed SAS, we believe the adjustment guidance in that paragraph is appropriate when the auditor believes its estimates are reliable and they differ materially from the clients’ estimates.</p>	<p>TF believes the considerations for estimates compared to those of sampling are different and</p>

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		However, we believe the paragraph should refer auditors to AU-C 530.A28 when their estimates are based on sampling and the Board should amend AU-C 530, accordingly, to indicate that one of the foregoing alternative courses of action should be taken before proposing any adjustment.	estimates would not be based on audit sampling. No changes proposed.
23	15 - Ill Society CPAs	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.	Supportive with comments See Issue 3 in agenda item 8.

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
24	19 - EY	<p>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.</p> <p>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:</p> <p style="padding-left: 40px;">“Although this proposed SAS applies to all accounting estimates, <b><i>including fair value measurements</i></b>, the degree to which an accounting estimate is subject to estimation uncertainty will vary substantially.”</p> <p>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:</p> <p style="padding-left: 40px;">“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. <b><i>A fair value measurement is a form of accounting estimate.</i></b>”</p>	<p>Supportive with comments</p> <p><b>See issue 4 in agenda item 8</b></p>

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		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 believes this is covered sufficiently in paragraph A14. See issue 4 in agenda item 8
25	20 - Eide Bailly	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”, 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.	Supportive with comments See Issue 3 in agenda item 8
26	24 - CohnReznick	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	Supportive with comments

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		<p>flowchart from “Linkages Between Proposed 540 and Other AU-C Sections” which was included with the exposure draft, be included as an appendix.</p> <p>Regarding the concept of “spectrum of inherent risk,” while the concept appears valid, we have concerns that in practice two occurrences may result:</p> <p>(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</p> <p>(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.</p> <p>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.</p>	<p>TF believes flowchart does not belong in the standards. Consider for inclusion in a revised risk assessment guide.</p> <p>See Issue 3 in agenda item 8</p>
27	26 - BDO	<p>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</p>	<p>Supportive with comments</p> <p>See Issue 3 in agenda item 8</p>

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		<p>foundational auditing standards that are to be considered in conjunction with one another.</p> <p>For example, the auditor’s risk assessment procedures is a critical element of the proposed SAS, and builds on extant AU-C section 315, <i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i>, 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.</p>	
28	28 - KPMG	<p>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, <i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i> (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</p>	<p>Supportive with comments</p> <p style="background-color: yellow;">See Issue 3 in agenda item 8</p>

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	<i>Commenter</i>	<i>Comment</i>	<i>Task Force Response</i>
		execution would be better if the requirements for risk assessment from this Exposure Draft were ultimately integrated into AU-C section 315.	