



IAASB™

International Auditing and Assurance Standards Board
AN IFEA BOARD

ISA 540 (Revised) Post-Implementation Survey

This document includes survey questions for:

- Accounting firms
- Jurisdictional and Other Standard Setters
- Professional Accountancy Organizations (PAOs)
- Regulators and Audit and Assurance Oversight Bodies
- Academia
- Others

!! Not for Submission !!

This document includes the *Word* version of the International Auditing and Assurance Standards Board's (IAASB) public consultation survey for the post-implementation review of International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*.

It aims to facilitate *stakeholders' internal outreach or information-gathering activities, and drafting and review of responses prior to completing the online survey*.

Please provide your input by using the [online survey](#).

About this Survey

This public consultation survey includes a series of questions to gather input on the impact of ISA 540 (Revised) as part of the IAASB's post-implementation review (PIR) of the standard. The survey was developed with a broad range of stakeholders in mind, including auditors and audit firms, jurisdictional standard setters, professional accountancy or professional organizations, regulators or audit and assurance oversight bodies, preparers or issuers, those charged with governance, investors and other users of financial statements, and academics. The survey questions have been tailored to reflect the perspectives and experiences of different stakeholder groups, ensuring that each respondent is asked questions relevant to their role and interaction with ISA 540 (Revised) or its outputs.

Request and Related Information

Respondents are asked to complete the online public consultation survey for the PIR of ISA 540 (Revised) by following the link provided on the IAASB website. [Access the ISA 540 Post-Implementation Review Survey web page here](#). **Responses to the public consultation survey are requested by June 15, 2026.**

We encourage stakeholders to further distribute the link to the online survey to their members or constituents, as applicable, within their jurisdictions or organizations, and as part of raising awareness or undertaking further outreach activities with all stakeholders.

You may respond to all questions or only selected questions or matters.

All responses to this survey, whether complete or partial, once submitted will be accepted and considered as input for the work of the IAASB project team in relation to the PIR of ISA 540 (Revised). The responses received will be summarized (in various ways, including, for example by stakeholder group) for purposes of progressing the PIR project, including providing feedback to the IAASB and in developing recommendations for possible further actions.

All responses will be considered a matter of public record and submissions will ultimately be posted on the IAASB website.

Structure of the Survey

The questions for respondents are organized in the following sections.

Section I — Background and Purpose

Section II — About the Respondent

Section III — Overall Questions

Section IV — Perceived Benefits from ISA 540 (Revised)

Section V — Potential Issues or Challenges Related to ISA 540 (Revised)

Section I: Background and Purpose

ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

1. In June 2018, the IAASB approved ISA 540 (Revised) as a [final standard](#).¹ ISA 540 (Revised) established more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. The standard was effective for audits of financial statements for periods beginning on or after December 15, 2019.
2. ISA 540 (Revised) addressed the following public interest issues:
 - (a) Audit risks were evolving due to a more complex business environment;
 - (b) Fostering improved exercise of professional scepticism; and
 - (c) Realizing public interest benefits through improved communication and transparency.
3. The IAASB made many enhancements to ISA 540 (Revised) to keep pace with the increasingly complex business environment and changes in financial reporting standards. In addition, recurring audit inspection findings criticized the quality of audit work relating to accounting estimates. Therefore, among other enhancements, ISA 540 (Revised) (paragraphs in the standard are indicated in parentheses):
 - (a) Introduced the concept of inherent risk factors, including not only estimation uncertainty but also complexity, subjectivity and others (paragraphs 2, 4, 16).
 - (b) Enhanced risk assessment procedures relating to obtaining an understanding of the entity and its environment, including the entity's system of internal control (paragraph 13).
 - (c) Emphasized the importance of the auditor's decisions about controls relating to accounting estimates by highlighting relevant requirements in ISA 315 (Revised 2019)² and ISA 330³ (paragraphs 19 and 20).⁴
 - (d) Introduced objectives-based work effort requirements directed to methods (including specifically when complex modelling is involved), data and assumptions, to design and perform further audit procedures to respond to assessed risks of material misstatement (paragraphs 7, 19, 22-25).
 - (e) Enhanced the "stand-back" requirements, by adding an evaluation of the audit evidence obtained regarding the accounting estimates, including both corroborative and contradictory audit evidence (paragraphs 33-35).
 - (f) Enhanced the requirements to obtain audit evidence about the disclosures related to accounting estimates and to determine whether the accounting estimates and related disclosures are

¹ Note that all references to paragraphs and other content of ISA 540 (Revised) is to the latest version of the standard in the [2025 IAASB Handbook](#).

² ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

³ ISA 330, *The Auditor's Responses to Assessed Risks*

⁴ The ISA 315 (Revised 2019) and ISA 540 (Revised) Task Forces coordinated closely to minimize the extent of conforming changes to ISA 540 (Revised) as a result of ISA 315 (Revised 2019). The conforming changes to ISA 540 (Revised) were generally limited to aligning concepts and terminology and did not change the performance requirements in ISA 540 (Revised).

reasonable in the context of the applicable financial reporting framework, or are misstated (paragraphs 26(b), 29(b), 31 and 35).

- (g) Included a new requirement to consider matters regarding accounting estimates when communicating with those charged with governance (paragraph 38).
4. The IAASB also issued non-authoritative materials to support the adoption and effective implementation of ISA 540 (Revised), including presentations, flowcharts and diagrams, and illustrative examples.⁵

Post-Implementation Review

Objectives and Approach

5. In September 2025, the IAASB agreed a plan to perform a post-implementation review (PIR) of ISA 540 (Revised). As indicated in the [PIR for ISA 540 \(Revised\) Plan](#), the IAASB aims to achieve the following:
- (a) Determine whether ISA 540 (Revised) has achieved its intended purpose by identifying:
 - (i) Improvements or benefits from applying the revised standard; and
 - (ii) Practical challenges or questions regarding its application, including whether it is being consistently understood and implemented; and
 - (b) Determine what actions, if any, are needed by the IAASB to address identified matters.
6. To support these objectives, the IAASB is undertaking a formal public consultation survey to gather information from a broad range of stakeholders. Additional targeted outreach activities will be undertaken as well to complement the understanding of identified implementation challenges or questions and to augment, as applicable, the public consultation process to ensure input is obtained from all stakeholder groups.

Potential Output

7. Based on the insights from the public consultation survey and other targeted outreach activities, the IAASB will determine appropriate next steps, which may include one or a combination of further information-gathering activities, standard-setting activities, or development of non-authoritative materials.
8. The IAASB may also determine that no further action is needed or that there are opportunities to facilitate or support actions by others.
9. A key consideration will be the nature and extent of any perceived challenges, including whether those challenges are due to lack of clarity or insufficiency of the requirements or application material in the standard.

⁵ Please refer to the [ISA 540 Implementation webpage](#) for more information on the non-authoritative materials.

Section II: About the Respondent

1. Please provide the following information about your organization (if applicable) and other contact information:

Organization (or leave blank if you are completing the survey in your personal capacity)	Accountancy Europe
Name(s) of contact(s) for this submission	Endrin Bitraj
Job title or role	Audit and Assurance Manager
E-mail address(es) of contact(s)	

2. Please select from the following options the stakeholder group to which you or your organization belongs:

Accounting Firm – Global Accounting Firm	
Accounting Firm – Large National or Regional Accounting Firm	
Accounting Firm – Small- or Medium-Sized Accounting Firm	
Accounting Firm – Sole Practitioner	
Accounting Firm – Public Sector Audit Institution	
Jurisdictional Standard Setter (JSS) or Other Standard Setter	
Professional Accountancy or Professional Organization (PAOs)	
Regulator or Audit and Assurance Oversight Body	
Preparer or Issuer of Financial Statements (Including Public Sector Organizations), or Those Charged with Governance (TCWG)	
Users of Financial Statements (e.g. investor, analyst, lender or other creditor)	
Academia	
Other – Specify	X

3. Select from the following options the geographical region that best matches you or your organization:

Africa	
Asia Pacific	
Europe	X
South America	
Middle East	
North America	

Global	
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4. Did you undertake outreach activities with other stakeholders outside your organization to inform your responses to this survey?

Yes		No	X
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- 4A. **[If the response to question 4 is yes]** Please provide further information about your outreach activities, including:

The manner in which the outreach was undertaken.	N/a
The nature and number (or estimate thereof) of stakeholders with whom you engaged.	N/a

5. You are welcome to provide any additional information you believe may be relevant to clarify the context in which you are completing the survey, or the circumstances or experiences that have informed your views or perspectives (or you can choose to leave this question blank).

Input	Accountancy Europe unites 49 professional organisations from 35 countries that represent 1 million qualified accountants, auditors and advisors.
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Section III: Overall Questions

This section focuses on whether ISA 540 (Revised) has achieved its intended purposes and objectives.

In revising ISA 540, the IAASB aimed to:

- (a) Establish more robust requirements and appropriately detailed guidance to foster audit quality by driving auditors to perform appropriate procedures in relation to accounting estimates and related disclosures. These revisions would also emphasize the importance of the appropriate application of professional scepticism when auditing accounting estimates.
- (b) Determine whether non-authoritative guidance and support tools, such as International Auditing Practice Notes, Staff publications, project updates or other materials, should be developed.

The IAASB also issued non-authoritative materials to support the adoption and effective implementation of ISA 540 (Revised), including presentations, flowcharts and diagrams and illustrative examples (refer to the [ISA 540 Implementation Webpage](#)).

Additional Information

Please note, the questions in this section are overarching in nature and allow respondents to share overall views without getting into details. The specific questions in **Sections IV** and **V** that follow provide opportunity for respondents to comment in more detail on specific aspects related to auditing of accounting estimates.

6. Please provide overall views about whether ISA 540 (Revised) has achieved its intended purpose and the objectives of the IAASB in developing the revised standard.

Input

Accountancy Europe considers that ISA 540 (Revised) has broadly achieved its intended purpose of enhancing the audit of accounting estimates.

We believe that the revised standard has contributed to improved audit quality, through:

- increased focus on risk assessment and inherent risk factors,
- a more robust understanding of management's methods, assumptions and data,
- stronger challenge of management, and
- greater focus on estimation uncertainty and related disclosures,
- clarification of procedures to audit estimates
- clearer and more structured audit documentation.

The standard has also driven more structured and formalised processes on the part of management and has supported more structured internal approaches within audit firms. However, we also highlighted a number of important challenges in practice.

Some aspects of the standard are overly prescriptive and not sufficiently scalable, especially for simple estimates where estimation uncertainty is

low. In such cases, auditors may perform procedures that go beyond what is necessary or proportionate.

Members also noted complexity and duplication arising from the interaction between ISA 540 (Revised) and ISA 315 (Revised 2019), particularly in relation to risk assessment and documentation. This can result in inefficiencies and disproportionate documentation.

In addition, certain areas remain difficult to apply in practice, including developing an auditor’s point estimate or range, determining how tight such ranges should be, and understanding and testing complex models and data. Applying professional scepticism appropriately also remains a broader challenge particularly with AI models and their black box nature.

Further concerns were raised regarding the potential for auditors to be perceived as taking on a management role when supporting the development of accounting estimates, as well as the risk that the standard may lead to the use of specialists in more situations than necessary.

Overall, while ISA 540 (Revised) has led to clear improvements in the audit of accounting estimates, feedback suggests that further consideration should be given to the scalability, proportionality and practical application of certain requirements.

At the same time, stakeholders identified several critical implementation challenges and areas where further support may be beneficial and consideration of changes to the requirements in the standard may be necessary.

Accompanying this survey response, please also find the cover letter highlighting the key points and observations raised by Accountancy Europe members in relation to the post-implementation review of ISA 540 (Revised). Link <https://accountancyeurope.eu/consultation-response/post-implementation-review-survey-isa-540/>

7. Are you aware of the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised)?

Yes	X	No	
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7A. [If the response to question 7 is yes] Do you agree that the non-authoritative guidance and support tools developed to support the implementation of ISA 540 (Revised) are useful?

4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
	X			

Input

Accountancy Europe is aware that non-authoritative guidance and implementation support materials have been developed to support the application of ISA 540 (Revised).

However, based on feedback from our members, the practical challenges identified in applying the standard suggest that such materials have not fully addressed certain areas of difficulty. There are challenges in areas such as:

- developing auditor point estimates or ranges,
- determining the appropriate level of work for simple versus complex estimates (scalability),
- understanding and testing complex models and data,
- obtaining an independent expert review in some sector industries and
- applying the requirements in conjunction with ISA 315 (Revised 2019).

Section IV: Perceived Benefits from ISA 540 (Revised)

This section seeks to understand stakeholders' perspectives on the perceived benefits or improvements resulting from the implementation of ISA 540 (Revised). The purpose is to gather insights on how the revised standard has, for example, contributed to enhanced audit quality by promoting consistency in the approach to auditing accounting estimates, or contributed to enhanced financial reporting quality by fostering greater interaction among the auditor, management and those charged with governance.

Additional Information

Please note, this section deliberately focuses on **perceived benefits or improvements**. To enhance the richness of input from the survey and to facilitate more effective analysis of responses received, please limit your responses to these aspects. The next section, **Section V**, allows you to share your views on any issues or challenges, or certain specific impacts relating to ISA 540 (Revised).

8. For each perceived benefit, indicate the extent to which you agree that ISA 540 (Revised) has led to benefits or improvements.

Benefits of ISA 540 (Revised)	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) Enhanced exercise of professional scepticism when auditing accounting estimates.		X			
(b) Greater consideration of the skills and competencies of the engagement team, including the need to involve specialists or experts.		X			
(c) Greater attention to understanding management's process for making estimates, including the selection of methods, assumptions and data (and the consistency of selection between periods).	X				
(d) Better or more focused assessments of the risks of material misstatements for accounting estimates.		X			
(e) More focus on understanding and testing controls related to accounting estimates.			X		
(f) Increased auditor attention to disclosures related to accounting estimates, including disclosures about estimation uncertainty.	X				
(g) Enhanced interactions and communications between the auditor and management and those charged with governance related to the audit of accounting estimates.	X				

Benefits of ISA 540 (Revised)	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(h) Enhanced quality of financial reporting related to accounting estimates.		X			

9. Are there any additional benefits or positive outcomes arising from the implementation of ISA 540 (Revised) that you would like to highlight?

Yes	X	No	
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<p>Input</p>	<p>The standard has provided a useful framework within audit firms, supporting more structured internal discussions, clearer working paper approaches and more consistent methodologies when auditing accounting estimates.</p> <p>The implementation of ISA 540 (Revised) has contributed to elevating the overall importance of accounting estimates within both the audit and financial reporting process, leading to increased attention from both auditors and preparers.</p>
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Section V: Potential Issues or Challenges Relating to ISA 540 (Revised)

A. Scalability and Proportionality

The IAASB acknowledged the importance of a scalable standard for all types of accounting estimates, from those that are relatively simple to those that are complex, and included several elements to address this, including:

- Introducing and emphasizing the concept of a spectrum of inherent risk (paragraph 4). Under the spectrum of inherent risk concept, the assessment of inherent risk depends on the degree to which the inherent risk factors affect the likelihood or magnitude of misstatement, and varies on a scale.
- Specific paragraphs in the application material that demonstrate how ISA 540 (Revised) is scalable in the risk assessment (paragraphs A20-A22) and the responses to the assessed risks of material misstatement (paragraph A84).
- Emphasizing in a requirement that the auditor’s further audit procedures need to be responsive to the reasons for the assessment of the risks of material misstatement at the assertion level and that the auditor’s further audit procedures shall take into account that the higher the assessed risk of material misstatement, the more persuasive the audit evidence needs to be (paragraph 18).

10. ISA 540 (Revised) was designed to be capable of being applied to all accounting estimates, and for the nature, timing and extent of the risk assessment and further audit procedures to be varied in relation to the estimation uncertainty and the assessment of the risks of material misstatement. Indicate the extent to which you have experienced or observed or are aware of any issues or challenges related to scalability and proportionality.

4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
X				

11. Briefly describe these or any other issues or challenges you encountered or observed related to scalability and proportionality.

Input	<p>We observed a number of challenges related to scalability and proportionality in the application of ISA 540 (Revised).</p> <p>While the standard appears to work more effectively for complex accounting estimates, including those involving significant estimation uncertainty or sophisticated valuation techniques, some requirements are perceived as disproportionate for simple or low-risk estimates. In such cases, auditors may perform procedures or documentation that provide limited additional audit value and may, in practice, exceed the level of work performed by management itself.</p> <p>The extent of these challenges also differ depending on the applicable financial reporting framework. For example, entities applying IFRS may face significantly more complex estimation requirements than entities using local</p>
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GAAP frameworks that rely more heavily on historical cost accounting. We also observed challenges arising from the interaction between ISA 540 (Revised) and ISA 315 (Revised 2019). In practice, this can create duplication in risk assessment concepts, documentation processes and audit methodologies, particularly as ISA 540 (Revised) introduced concepts that were later incorporated more broadly into ISA 315 (Revised 2019). This may result in inefficiencies and additional documentation burden, including where audit software requires separate documentation processes under both standards.

12. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
X			

13. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input

Further clarification on scalability and proportionality would be helpful, especially regarding how certain requirements should be applied for simple or low-risk accounting estimates where estimation uncertainty is limited.

We also encourage the IAASB to further consider the interaction between ISA 540 (Revised) and ISA 315 (Revised 2019), particularly in relation to risk assessment and documentation requirements, with a view to reducing duplication and supporting a more integrated and efficient approach.

B. Professional Scepticism

ISA 540 (Revised) includes several key elements that are designed to enhance the auditor’s application of professional scepticism, including:

- Use of stronger language, such as “challenge,” “question,” and “reconsider” to reinforce the importance of exercising professional scepticism (see, for example, paragraphs A60, A95, and A135 of ISA 540 (Revised)).
- A requirement to design and perform further audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory (paragraph 18).
- A requirement to “stand back” and evaluate the audit evidence obtained regarding the accounting estimates, including both corroborative and contradictory audit evidence (paragraphs 33–35).

14. Indicate the extent to which you have experienced or observed or are aware of the following issues or challenges in applying or relating to ISA 540 (Revised) with respect the auditor *exercising professional scepticism* when auditing accounting estimates and related disclosures.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Appropriately challenging management’s judgments used in making accounting estimates, particularly when they involve complex or subjective inputs.		X			
(b) Identifying and appropriately responding to potential indicators of management bias in the development of accounting estimates.		X			
(c) Appropriately considering all relevant audit evidence obtained, whether corroborative or contradictory.	X				

15. Briefly describe these or any other issues or challenges you encountered or observed related to exercising professional scepticism.

<p>Input</p>	<p>Appropriately challenging management’s judgments can be difficult, particularly where accounting estimates involve complex models, including increasingly complex AI-driven models used to produce forward-looking estimates, significant judgment or highly subjective assumptions. Challenges also remain in assessing management’s selection of methods, assumptions and data, as well as in developing and supporting auditor point estimates or ranges.</p> <p>In some areas, auditors may also face difficulties in identifying appropriate benchmarks or obtaining access to specialists and experts with the necessary expertise to evaluate complex estimates, models or assumptions. This can be particularly challenging for smaller firms or in highly specialised industries. In certain sectors, the pool of available experts may be relatively limited, making it more difficult to obtain alternative perspectives or challenge management assumptions effectively.</p> <p>In addition there are challenges in identifying and responding to potential indicators of management bias. In practice, management bias is often considered as a more pervasive financial statement level risk rather than being linked to a specific assertion or estimate. In addition, auditors may face difficulties in actively identifying contradictory audit evidence, rather than relying primarily on corroborative evidence obtained during the audit process.</p>
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16. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
		X	

17. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input	<p>Further outreach and information gathering, including detailed feedback and root cause analysis from inspection and oversight bodies, may help the IAASB better understand the nature and causes of these challenges and whether they arise from the requirements of the standard itself or from implementation in practice.</p> <p>The IAASB may wish to consider the most appropriate way to address the challenges identified, with a focus on enhancing simplification and proportionality in the application of ISA 540 (Revised).</p>
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C. Risk Assessment Procedures

ISA 540 (Revised) includes an enhanced risk assessment specifically tailored to accounting estimates that builds on the risk assessment required by ISA 315 (Revised 2019). The inherent risk factors of estimation uncertainty, complexity and subjectivity play a central role in the approach to the identification and assessment of the risks of material misstatement related to accounting estimates, and the responses to those assessed risks. ISA 540 (Revised) also notes that there may be other inherent risk factors, including susceptibility to misstatement due to management bias or fraud.

18. Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *risk assessment procedures and identifying and assessing the risks of material misstatement related to accounting estimates*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) The consideration of inherent risk factors and the interrelationship between them in identifying and assessing risks of material misstatement related to accounting estimates.		X			
(b) How the understanding of the entity and its environment, and the entity’s internal	X				

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
control for accounting estimates, relates to the understanding required by ISA 315 (Revised 2019) (i.e., whether it is clear that the requirements in paragraph 13 of ISA 540 (Revised) relate specifically to accounting estimates and build on the broader requirements in ISA 315 (Revised 2019)).					
(c) Reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation (i.e., the retrospective review of accounting estimates).			X		
(d) Understanding management’s process for making accounting estimates, including how management identifies and selects relevant methods, assumptions and data, and how management understands and addresses estimation uncertainty.		X			
(e) The separate assessments of inherent and control risk relating to an accounting estimate.		X			
(f) Whether any of the assessed risks of material misstatement are significant risks.		X			

18A. **[If the response to question 18(b) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges]** Provide additional input, if any, about any issues or challenges regarding the *interaction of ISA 540 (Revised) with ISA 315 (Revised 2019)* in relation to risk assessment procedures and the identification and assessment of risks of material misstatement for accounting estimates.

<p>Input</p>	<p>The separation of risk assessment requirements under the two standards can create duplication, increased documentation burden and operational inefficiencies. Feedback indicated that audit methodologies and software often separate the documentation processes under ISA 315 and ISA 540, resulting in parallel, and in worst case different, assessments of inherent risk and additional work effort.</p>
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We also observed uncertainty regarding when the more detailed requirements of ISA 540 (Revised) are expected to apply, particularly where estimation uncertainty is limited. Clearer integration between the two standards and clearer criteria regarding scalability and applicability could support a more coherent and proportionate risk assessment process.

- 18B. [If the response to question 18(c) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Indicate the extent to which you agree with the following statements with respect to reviewing the outcome of previous accounting estimates or, where applicable, their subsequent re-estimation.

Statements Related to Retrospective Review	4 – Strongly Agree	3 – Agree	2 – Disagree	1 – Strongly Disagree	0 – No Response
(a) The retrospective review process is difficult due to changes in economic conditions or assumptions that make prior-period estimates less comparable.					
(b) The time and effort required to perform a retrospective review outweigh the perceived benefits for audit risk assessment.					

19. Briefly describe these or any other issues or challenges you encountered or observed related to risk assessment procedures and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.

Input
 We also observed that the challenges related to risk assessment procedures are more significant for accounting estimates involving greater estimation uncertainty, complexity or judgment, particularly where complex models, assumptions or data are involved. By contrast, some requirements may appear less proportionate for simple or low-risk estimates where estimation uncertainty is limited.

20. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
X			

21. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input

Further outreach and information gathering, including detailed feedback and root cause analysis from inspection and oversight bodies, may help the IAASB better understand the practical challenges encountered in applying the risk assessment requirements of ISA 540 (Revised).

The IAASB may wish to assess whether the challenges identified reflect implementation issues or whether further consideration of certain requirements in ISA 540 (Revised) may be appropriate. The aim should be to reduce duplication and avoid unnecessary documentation and work effort for auditors in practice while supporting high quality audits.

At the same time, stakeholders identified several critical implementation challenges and areas where further support may be beneficial and consideration of changes to the requirements in the standard may be necessary.

D. Responses to the Assessed Risks of Material Misstatement and Overall Evaluation

The auditor's responses to assessed risks of material misstatement for accounting estimates include one or more of the following testing strategies:

- Obtaining audit evidence from events occurring up to the date of the auditor's report;
- Testing how management made the accounting estimate; or
- Developing an auditor's point estimate or range.

For these testing strategies, the IAASB introduced objective-based requirements, focused on methods (including models), assumptions and data. The objective-based requirements allow scalability in the nature, timing and extent of the procedures performed, recognizing that the higher the assessed risks of material misstatement, the more persuasive the audit evidence needs to be.

ISA 540 (Revised) requires the auditor to determine whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated. In making this determination, the auditor is required to evaluate the effect of uncorrected misstatements on the financial statements. ISA 540 (Revised) provides guidance for that evaluation, consistent with ISA 450, *Evaluation of Misstatements Identified During the Audit*.

22. Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *responding to the assessed risks of material misstatement*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
Responses to the Assessed Risks of Material Misstatement					
(a) Determining the most appropriate response(s) to the assessed risks of material misstatement at the assertion level from among the testing approaches in paragraph 18 of ISA 540 (Revised).		X			
(b) Determining whether to test the operating effectiveness of controls related to an accounting estimate.			X		
(c) Appropriately applying the testing approach of obtaining audit evidence about events occurring up to the date of the auditor’s report, either alone or with another testing approach(es).				X	
(d) Testing how management made the accounting estimate.		X			
(e) Developing an auditor’s point estimate or range.	X				
Overall Evaluation					
(f) Determining whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.		X			
(g) Evaluating identified misstatements related to accounting estimates, including when the audit evidence supports a point estimate that differs from management’s point estimate or a range that does not include management’s point estimate, or when the auditor’s range is wide (in some cases, multiples of materiality for the financial statements as a whole).	X				

22A. [If the response to question 22(d) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *testing how management made the accounting estimates*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Testing management’s selection of the method, significant assumptions, and data used, including whether management’s judgments give rise to indicators of possible management bias.		X			
(b) Understanding management’s application of the method involving complex modelling and testing complex models, including the integrity and completeness of the data used.	X				
(c) Whether management has taken appropriate steps to understand and address estimation uncertainty, including the selection of an appropriate point estimate and developing related disclosures about estimation uncertainty.		X			

22B. [If the response to question 22(e) is 4-Significant Issues or Challenges or 3-Moderate Issues or Challenges] Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *developing a point estimate or range*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
(a) Determining when it may be appropriate to develop an auditor’s point estimate or range.		X			
(b) Determining that the auditor’s range includes only amounts that are supported by sufficient appropriate audit evidence and have been evaluated to be reasonable in the context of the measurement objectives and other	X				

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
requirements of the applicable financial reporting framework.					
(c) Maintaining objectivity and independence, for example, when material adjustments are made to management’s point estimate based on the auditor’s point estimate developed using a model or assumptions that were different from management’s models and assumptions.	X				

23. Briefly describe these or any other issues or challenges you encountered or observed related to responding to risks of material misstatement and whether such issues or challenges relate primarily to estimates that have a high degree of estimation uncertainty or complexity.

Input	<p>We observed challenges in determining the most appropriate audit response to assessed risks related to accounting estimates, particularly whether to test management’s process or develop an independent auditor point estimate or range.</p> <p>Practical difficulties also remain in developing and supporting auditor ranges, including determining how tight such ranges should be and how they should be evaluated where they differ from management’s estimates.</p> <p>In addition, we observed challenges in understanding and testing complex models and related data used by management. Concerns were also raised regarding maintaining objectivity where auditors propose adjustments based on auditor-developed estimates or assumptions.</p>
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24. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
		x	

25. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input	<p>The challenges identified relate in particular to developing and evaluating auditor point estimates or ranges, understanding and testing complex models, and maintaining auditor objectivity when auditor-developed assumptions are used.</p>
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Further outreach and information gathering, including detailed feedback and root cause analysis from inspection and oversight bodies, may help the IAASB better understand the practical difficulties encountered in these areas and whether they arise from the requirements of the standard itself or from implementation in practice.

Whether through implementation support, standard-setting activities or a combination of both, the objective should be to promote a more proportionate, simplified and streamlined application of ISA 540 (Revised).

E. Other Matters – Communications, Specialized Skills or Knowledge and Documentation

ISA 540 (Revised) enhanced the requirements for other aspects of auditing accounting estimates and related disclosures, such as:

- Communication with TCWG, management or other relevant parties;
- Specialized skills or knowledge, including using the work of an auditor’s expert; and
- Documentation.

26. Indicate the extent to which you have experienced or observed the following issues or challenges in applying ISA 540 (Revised) with respect to *communication, specialized skills or knowledge, including using the work of an auditor’s expert, and documentation*.

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
Communications					
(a) Determining the matters, if any, to communicate related to accounting estimates, (including about significant qualitative aspects of the entity’s accounting practices and significant deficiencies in internal control).				X	
Specialized Skills or Knowledge, Including Using the Work of an Auditor’s Expert					
(b) Determining when it is appropriate to involve an auditor’s expert(s) (an internal or external expert) and using the work of an auditor’s expert(s) in auditing an accounting estimate(s).		X			

Issues or Challenges in Applying ISA 540 (Revised)	4 – Significant Issues or Challenges	3 – Moderate Issues or Challenges	2 – Minor Issues or Challenges	1 – No Issues or Challenges	0 – No Response
Documentation					
(c) Preparing appropriate audit documentation in accordance with the requirements in paragraph 39 of ISA 540 (Revised).	X				

27. Briefly describe these or any other issues or challenges you encountered or observed related to communications, specialized skills or knowledge (including using the work of an auditor’s expert) and documentation.

Input	<p>We observed practical challenges related to the involvement and use of specialists in the audit of accounting estimates, particularly for complex estimates involving significant judgment, complex models or specialised data. At the same time, concerns were raised that the standard may create a perception that the use of specialists is required more frequently than necessary.</p> <p>We also observed significant practical challenges related to documentation requirements, particularly in relation to documenting risk assessments, auditor ranges and the interaction between ISA 540 (Revised) and ISA 315 (Revised 2019).</p>
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28. In your view, are the observed issues or challenges due to a lack of clarity or insufficiency of the requirements or application material in the standard?

Yes	No	Difficult to Determine	No Response
		x	

29. What specific suggestions do you have for how the IAASB can best address the issues or challenges you have identified (e.g., standard-setting, non-authoritative guidance, or other actions)?

Input	<p>In less complex circumstances and for smaller audit engagements, challenges relating to the application of the requirements concerning specialised skills or knowledge and documentation were observed.</p> <p>The IAASB may wish to consider whether opportunities exist to further simplify and streamline these requirements, while maintaining audit quality and promoting a more proportionate approach. Particular attention could be given to clarifying expectations regarding the involvement of specialists and experts, as well as avoiding unnecessary documentation and work effort</p>
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where accounting estimates are straightforward and the associated risks are lower.

At the same time, stakeholders identified several critical implementation challenges and areas where further support may be beneficial and consideration of changes to the requirements in the standard may be necessary.