

## **Press Releases/News Alerts, Press Releases**

Oct 03, 2018

New York, New York

English



### **IAASB Modernizes Auditing of Accounting Estimates in Support of Audit Quality**

The International Auditing and Assurance Standards Board (IAASB) today released [International Standard on Auditing \(ISA\) 540 \(Revised\)](#), its revised standard for the audit of accounting estimates and related disclosures.

Banks, insurers and other financial services firms have seen revolutionary change in their accounting practices as they moved to new accounting standards that changed the way they deal with loan provisions and insurance contracts. ISA 540 (Revised) reflects this rapidly evolving business environment and ensures that the standard continues to keep pace with the changing market.

This revised standard is the first to be completed as part of the IAASB's broader program 'Addressing the Fundamental Elements of an Audit' and is an important part of the IAASB's efforts to improve audit quality globally. Some of the significant revisions include:

- An enhanced risk assessment that requires auditors to consider complexity, subjectivity and other inherent risk factors in addition to estimation uncertainty. This will drive auditors to think more deeply about the risks inherent to accounting estimates.
- A closer link between the enhanced risk assessment and the methods, data and assumptions used in making accounting estimates, including the use of complex models.
- Specific material to show how the standard is scalable to all types of accounting estimates.

- Emphasis on the importance of applying appropriate professional skepticism when auditing accounting estimates to foster a more independent and challenging skeptical mindset in auditors.

ISA 540 (Revised) becomes effective for financial statement audits for periods beginning on or after December 15, 2019.

It is critical that all parties in the financial reporting supply chain, particularly regulators, national standard-setters and firms collaborate in the implementation of a standard with such far-reaching effects on the audit of financial statements. The IAASB will provide implementation support to help auditors navigate and apply the revised standard. Please visit the IAASB website for more information.

### About the IAASB

The [IAASB](#) develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the [Public Interest Oversight Board](#), which oversees the activities of the IAASB, and the [IAASB Consultative Advisory Group](#), which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC). For copyright, trademark, and permissions information, please go to [permissions](#) or contact [permissions@ifac.org](mailto:permissions@ifac.org).