CONFORMING AMENDMENTS TO ISA 315 (REDAFTED) AS A RESULT OF
ISA 520 (REDAFTED), ANALYTICAL PROCEDURES

ISA 315 (Redrafted), “Identifying and Assessing the Risks of Material
Misstatement Through Understanding the Entity and Its Environment”

Analytical Procedures

A6a. Analytical procedures performed as risk assessment procedures may identify aspects of
the entity of which the auditor was unaware and may assist in assessing the risks of
material misstatement in order to provide a basis for designing and implementing
responses to the assessed risks. Analytical procedures performed as risk assessment
procedures may include both financial and non-financial information, for example, the
relationship between sales and square footage of selling space or volume of goods sold.

A7. Analytical procedures may help identify the existence of unusual transactions or events, and
amounts, ratios, and trends that might indicate matters that have audit implications. Unusual
or unexpected relationships that are identified may assist the auditor in identifying risks of
material misstatement, especially risks of material misstatement due to fraud.

A8. However, when such analytical procedures use data aggregated at a high level (which
may be the situation with analytical procedures performed as risk assessment procedures),
the results of those analytical procedures only provide a broad initial indication about
whether a material misstatement may exist. Accordingly, in such cases, consideration of
other information that has been gathered when identifying the risks of material
misstatement together with the results of such analytical procedures may assist the auditor
in understanding and evaluating the results of the analytical procedures. [Proposed] ISA
520 (Redrafted) establishes requirements and provides guidance on the use of analytical
procedures.

Considerations Specific to Smaller Entities

A8a. Some smaller entities may not have interim or monthly financial information that can be
used for purposes of analytical procedures. In these circumstances, although the auditor
may be able to perform limited analytical procedures for purposes of planning the audit or
obtain some information through inquiry, the auditor may need to plan to perform
analytical procedures to identify and assess the risks of material misstatement when an
early draft of the entity’s financial statements is available.

[When the conforming amendments are included in ISA 315 (Redrafted), paragraph A6a will
become paragraph 7 and the ISA will be renumbered accordingly.]