

AGENDA ITEM 11 (UPDATED)¹

Amendment to Application and Other Explanatory Material in ISA 250 (Redrafted), “Consideration of Laws and Regulations in an Audit of Financial Statements”

Application and Other Explanatory Material

Laws and Regulations Generally Recognized to Have a Direct Effect on the Determination of Material Amounts and Disclosures in the Financial Statements (Ref: Para. 13)

A8. Certain laws and regulations are well-established, known to the entity and within the entity’s industry or sector, and relevant to the entity’s financial statements (as described in paragraph 6(a)). They could include those that relate to, for example:

- The form and content of financial statements;
- Industry-specific financial reporting issues;
- Accounting for transactions under government contracts; or
- The accrual or recognition of expenses for income tax or pension costs.

Some ~~matters~~ provisions in those laws and regulations may be directly relevant to specific assertions in the financial statements (for example, the completeness of income tax provisions), while others may be directly relevant to the financial statements as a whole (for example, the required statements constituting a complete set of financial statements). The aim of the requirement in paragraph 13 is for the auditor to obtain sufficient appropriate audit evidence regarding the determination of amounts and disclosures in the financial statements that are determined by in compliance with the relevant provisions of those laws and regulations.

Non-compliance with other provisions of such laws and regulations and other laws and regulations may result in fines, litigation or other consequences for the entity, the costs of which may need to be provided for in the financial statements, but are not considered to have a direct effect on the financial statements as described in paragraph 6(a).

¹ [Agenda Item 11 was updated during the December 8-11, 2008 IAASB meeting to reflect in highlighted marked text changes based on decisions taken at the meeting. The updated agenda item is included here for information purposes only and is not the final pronouncement. Interested parties are discouraged from distributing, translating or using the updated agenda item for any purpose. They should await the release of final ISA 250 (Redrafted), which may contain further minor modifications arising from IAASB’s review of consistency of the clarified ISA as discussed in Agenda Item 4 of the December 8-11, 2008 IAASB meeting.]