

September 11, 2014

The Chairman
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue, 6th Floor
New York
New York 10017
United States of America

Via Online Submission

Dear Mr Arnold Schilder

**COMMENTS ON IAASB EXPOSURE DRAFT: PROPOSED CHANGES TO THE
INTERNATIONAL STANDARDS ON AUDITING (ISAs), ADDRESSING DISCLOSURES IN
THE AUDIT OF FINANCIAL STATEMENTS**

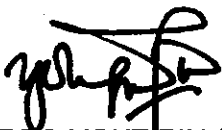
We thank you for the opportunity to comment on IAASB Exposure Draft: Proposed Changes to the International Standards on Auditing (ISAs), *Addressing Disclosures in The Audit of Financial Statements*.

In this regard, we are pleased to attach the Institute's comments as set out in Appendix I for your consideration.

Please do not hesitate to contact the undersigned or the Institute's Senior Technical Manager, Ms Hoh Kim Hyan, at +603-2698 9622 should you require any clarification.

Thank you.

Yours faithfully



FOO YOKE PIN (Mr)
Executive Director

**THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
(INSTITUT AKAUNTAN AWAM BERTAULIAH MALAYSIA)**

International Auditing and Assurance Standards Board

**Proposed Changes to the International Standard on Auditing (ISAs),
Addressing Disclosures in the Audit of Financial Statements**

Questionnaire

The IAASB welcomes comments on all matters addressed in the exposure draft. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in this exposure draft (especially those calling for change in current practice), it will be helpful for the IAASB to be made aware of this view.

Question 1

Whether, in your view, the proposed changes to the ISAs are appropriate and sufficient for purposes of enhancing the focus of the auditor on disclosures and, thereby, will further support the proper application of current requirements in the ISAs?

MICPA's Response:

Yes, MICPA agrees that the proposed changes to the ISAs are appropriate and sufficient for purposes of enhancing the focus of the auditor on disclosures and, thereby, will further support the proper application of current requirements in the ISAs.

Question 2

Are there any specific areas where, in your view, additional enhancement to either the requirements or guidance of the ISAs would be necessary for purposes of effective auditing of disclosures as part of a financial statement audit?

MICPA's Response:

1. In relation to the proposed changes to ISA 450, MICPA expresses concern over the practicality of applying certain proposed changes specifically Paragraphs A13a and A17a.

- (a) Paragraph A13a states that evaluating whether misstatements in non-quantitative disclosures are material takes into account matters such as their effect on the relevant disclosure, as well as their overall effect on the financial statements as a whole. Incorrect descriptions of information about the objectives, policies and processes for managing capital could, for example, be material for entities with insurance and banking activities.

Non-quantitative disclosures by their nature are subjective and non-measurable. In this regard, MICPA foresees challenge for the auditor to evaluate materiality.

- (b) Paragraph A17a states that misstatements in disclosures could be indicative of, for example:*

- Bias in management's judgments that results in misleading disclosures; or
- A trend towards duplicative or uninformative disclosures that may obscure significant information in the financial statements.

It is unclear whether Paragraph A17a implies that duplicative or uninformative disclosures constitute misstatements in disclosures. MICPA believes that further application guidance would be useful.

2. MICPA is also of the view that further application guidance are necessary for other ISAs e.g. ISA 705, ISA 600, ISA 560, ISA 570 and ISA 580 so that they are consistent with the changes proposed in this Exposure Draft.

Question 3

Whether, in your view, the proposed changes to the assertions will help appropriately integrate the work on disclosures with the audit work on the underlying amounts, thereby promoting an earlier and more effective audit of disclosures?

MICPA's Response:

Yes, MICPA agrees.

Request for General Comments

Effective Date – Recognizing that the proposed changes to the ISAs affect some of the same ISAs as other IAASB projects currently being finalized, the IAASB believes that to the extent possible, the effective date should be aligned with these other projects, namely the IAASB's Auditor Reporting project and the project to revise ISA 720. Accordingly, the IAASB believes that an appropriate effective date for the standard would be 12-15 months after issuance of the final standards, but may be longer or shorter to align with the effective date of the revisions arising from the auditor reporting and ISA 720 projects. Earlier application would be permitted. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the changes to the ISAs.

MICPA's Response:

MICPA is of the view that the effective date should also align with the IAASB's project on *Disclosure and its Audit Implications* which discusses the application of the concept of "materiality" in auditing disclosures.