

**ASOCIACION INTERAMERICANA DE CONTABILIDAD  
INTERAMERICAN ACCOUNTING ASSOCIATION  
ASSOCIAÇÃO INTERAMERICANA DE CONTABILIDADE**

San Juan, Puerto Rico, July 31st, 2017

Members of the Board

**International Auditing and Assurance Standards Board (IAASB).**

529 5th Avenue, 6th Floor

New York, New York 10017

**REF: Proposed International Standard on Auditing 540 (Revised)  
Auditing Accounting Estimates and Related Disclosures**

Dear Members of the Board,

The Inter-American Accounting Association (IAA) (AIC – in Spanish), welcomes the opportunity to comment on the Exposure Draft **Proposed International Standard on Auditing 540 (Revised) - Auditing Accounting Estimates and Related Disclosures**.

This reply summarizes the views of different member countries of the IAA, according to the following due process:

**Due process:**

The Draft was submitted to the different IAA member, the Inter-American Technical Commissions (ITC) and the Sponsor Organizations (SO), hence all members had the opportunity to participate in the discussion of the Draft.

All comments received from the ITC and SO, were compared and discussed, before preparing a reply which has been approved upon by all members

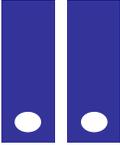
**General comments:**

We decisively support the IAASB initiative on this important issue, considering the educational issue as fundamental in the formation and exercise of the accounting and auditing professional.

If you have any questions about our comments, please do not hesitate to contact us.

Sincerely,

Antonio Gómez Espiñeira  
**PRESIDENT**



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**Comment Letter of the Interamerican Accounting Association- IAA on the document for public discussion referred to; “Proposed International Standard on Auditing 540 (Revised) - Auditing Accounting Estimates and Related Disclosures”.**

We have answered the questions of the document in accordance with the provided instructions. Please see our answers and related comments below.

### **Overall Questions**

*Question 1. Has ED540 been appropriately updated to deal with evolving financial reporting frameworks as they relate to accounting estimates?*

**Answer.**

Yes. The draft revision of ISA 540 responds to the information standards issued by the IASB, in force on regarding accounting estimates. Referring to other current financial information frameworks issued in jurisdictions where different (national) standards are issued than those issued by the IASB

*Question 2. Do the requirements and application material of ED540 appropriately reinforce the application of professional skepticism when auditing accounting estimates?*

**Answer.**

In our opinion, they adequately reinforce the application of professional skepticism when reviewing accounting estimates and other aspects of an audit of financial statements. We understand that the requirements included in the draft revision of ISA 540 as well as the accompanying application material will help, more than anything, to remind the auditor to keep his skepticism always up to date, although we understand that no normative material is necessary so that the accountant always maintains his professional skepticism but it is well known that professionals often "forget" this essential requirement in an audit practice of financial statements.

### ***Focus on risk assessment and responses***

**Question 3.**

*Is ED540 sufficiently scalable with regarding auditing accounting estimates, including when there is low inherent risk?*

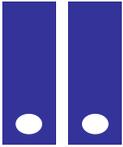
**Answer.**

We understand that the amendments to be incorporated are sufficiently scalable for an accountant of financial statements, specifically for the evaluation of accounting estimates, in accordance with the current information standards on the matter.

**Question 4**

When inherent risk is not low (see paragraphs 13, 15 and 17–20):

*a) Will these requirements support more effective identification and assessment of, and responses to, risks of material misstatement (including significant risks) relating to accounting estimates, together with the relevant requirements in ISA 315(Revised) and ISA 330?*



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Answer.

We believe that the requirements are sufficiently explicit and clear for their application, therefore, we believe that it will ostensibly improve a more appropriate identification and consequent valuation of the risks of misreporting resulting from accounting estimates and will allow the accountants to design the appropriate responses in each circumstance.

Question 4

*b) Do you support the requirement in ED540 (Revised) for the auditor to take into account the extent to which the accounting estimate is subject to, or affected by, one or more relevant factors, including complexity, the need for the use of judgment by management and the potential for management bias, and estimation uncertainty?*

Answer.

Yes, we understand that the requirements contemplated in the proposed revision of the NIA in question, is clarifying for the accountant to take into consideration that the accounting estimate may be affected by the factors of complexity, administration bias especially when applying its judgment in the estimation.

Question 5.

*Does the requirement in paragraph 20 (and related application material in paragraphs A128–A134) appropriately establish how the auditor's range should be developed? Will this approach be more effective than the approach of "narrowing the range", as in extant ISA 540, in evaluating whether management's point estimate is reasonable or misstated?*

Answer.

We understand that the requirements foreseen in the project properly establish a much improved range definition guides, which are more detailed in comparison to those established in paragraph 16 and the application materials in paragraphs A111 and A112 of the current NIA 540. However it is important to clarify that they are a guide for the auditor and not a definitive question for the purpose of determining the auditor's rank

Question 6.

*Will the requirement in paragraph 23 and related application material (see paragraphs A2–A3 and A142 – A146) resulting more consistent determination of a misstatement, including when the auditor uses an auditor's range to evaluate management's point estimate?*

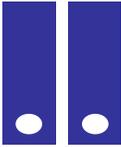
Answer.

Only once the requirements of paragraph 23 proposed in the draft are implemented will their effectiveness be known with certainty; However, we are motivated by the procedures contemplated in both paragraph 23 and in the contents in the paragraphs of the application material.

**Conforming and Consequential Amendments**

Question 7.

*With respect to the proposed conforming and consequential amendments to ISA 500 regarding external information sources, will the revision to the requirement in paragraph 7 and the related new additional application material result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources?*



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Answer.

We believe that the proposed conforming and consequential amendments to ISA 500 regarding external information sources provide better guidance to auditors about how to perform more appropriate and consistent evaluations of the relevance and reliability of information from external information source. Current ISA 500 contains more guidance about how to get evidence from internal sources.

**Request for General Comments**

Question 8.

In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:

- a) *Translations Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-540.*

Answer.

We have not identified potential translation issues to Spanish

Question 8

- b) *Q. Effective Date—Recognizing that ED-540 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods ending approximately 18 months after the approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.*

Answer.

We understand that the deadline, if any, would be adequate. We have no objection to this.