

Proposed Conforming Amendments

ISA 200, “Objective and General Principles Governing an Audit of Financial Statements”

Definitions

1a. In the ISAs:

- (a) “Financial reporting framework” means a set of criteria applied in preparing and presenting other historical financial information. The term includes any legal and regulatory requirements that supplement but do not conflict with the financial reporting framework.
- (b) “Financial reporting framework designed for a general purpose” means a financial reporting framework designed to meet the common information needs of a wide range of user.
- (c) “Financial reporting framework designed for a special purpose” means a financial reporting framework designed to meet the information needs of specific intended users.
- (d) “Financial reporting framework designed to achieve fair presentation” means a financial reporting framework that (a) provides a context for the auditor’s evaluation of the fair presentation of the financial statements, and (b) acknowledges, implicitly or explicitly, that to achieve the objective of fair presentation of the financial statements (i) it may be necessary for management to provide disclosures beyond the specific requirements of the framework, or (b) in extremely rare circumstances, it may be necessary for management to depart from the specific requirements of the framework.

Responsibility for the Financial Statements

34. The term “financial statements” refers to a structured representation of the financial information, which ordinarily includes accompanying notes, derived from accounting records and intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term can refer to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, ~~or a statement of revenues and expenses~~, and related explanatory notes [\(for further examples see Appendix 1 to ISA 701, “The Independent Auditor’s Report on Other Historical Financial Information”\)](#).

Determining the Acceptability of the Financial Reporting Framework

38. The auditor determines whether the financial reporting framework adopted by management is acceptable in view of the nature of the entity and its environment (for example, whether it is a business enterprise, a public sector entity or a not for profit organization), ~~and~~ the nature and objective of the financial statements, and the information needs of the intended users.

Financial Statements Designed to Meet the Financial Information Needs of Specific

Users

39. In some cases, the objective of the financial statements will be to meet the financial information needs of specific users. The information needs of such users will determine the applicable financial reporting framework in these circumstances. Examples of financial reporting frameworks that address the needs of specific users are: a tax basis of accounting for ~~a set of~~ financial statements that accompany an entity's tax return; the financial reporting provisions ~~of established by a government regulatory agency for a set of financial statements~~ to meet the ~~information needs requirements~~ of that ~~agency regulator~~; or ~~a the~~ financial reporting ~~framework established by the~~ provisions of ~~an agreement a contract specifying the financial statements to be prepared~~. Financial statements prepared in accordance with such financial reporting frameworks may be the only financial statements prepared by an entity and, in such circumstances, are often used by users in addition to those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements in those circumstances, the financial statements are still considered to be designed to meet the financial information needs of specific users for purposes of the ISAs. ISA ~~800 701~~, "~~The Independent Auditor's Report on Special Purpose Audit Engagements~~" establishes standards and provides guidance on financial statements whose objective is to meet the financial information needs of specific users. Although specific users may not be identified, financial statements that are prepared in accordance with a framework that is not designed to achieve fair presentation are also addressed in ISA ~~800 701~~.

Financial Reporting Frameworks Established by Authorized or Recognized Organizations

41. These financial reporting frameworks are often identified as the applicable financial reporting framework in legislative and regulatory requirements governing the preparation of general purpose financial statements. Refer to ISA ~~800 701~~ for financial reporting frameworks designed to meet the particular ~~needs requirements~~ of a ~~government regulatory agency~~.

Expressing an Opinion on the Financial Statements

50. The auditor refers to ISA ~~800 701~~ when expressing an opinion on:

- ~~▲(a)~~ A complete set of financial statements prepared in accordance with ~~an other comprehensive basis of accounting a financial reporting framework designed for a special purpose~~;
- ~~(b)~~ A complete set of financial statements prepared in accordance with a financial reporting framework designed for a general purpose, but not designed to achieve fair presentation;
- ~~▲(c)~~ A ~~component~~ single financial statement, or statements, that would otherwise be part of a complete set of ~~general purpose or special purpose~~ financial statements; such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement; and
- ~~(d)~~ One or more specific elements, accounts or items of a financial statement.
- ~~(e)~~ Compliance with contractual agreements; and

~~(d) Summarized financial statements.~~

ISA 210, “Terms of Audit Engagements”

Agreement on the Applicable Financial Reporting Framework”

11. As stated in ISA 200 the acceptability of the financial reporting framework adopted by management in preparing the financial statements will depend on the nature of the entity and its environment, and on the nature and objective of the financial statements, and the information needs of the intended users. In some cases, the objective of the financial statements will be to meet the common information needs of a wide range of users; in others, to meet the needs of specific users.

ISA 300, “Planning an Audit of Financial Statements”

Appendix

Scope of the Audit Engagement

- When auditing a single financial statement, or one or more specific elements, accounts or items of a financial statement, the interrelationship between related financial statements, or between various elements, accounts or items within a financial statement, and the affect that this has on the scope of the audit. For example, in auditing revenue, the auditor considers the relationship between revenue, receivables and inventory, including the pervasive effect of internal control.

Proposed ISA 320, “Materiality in the Identification and Evaluation of Misstatements”

Users

10. ~~When determining materiality in audits of financial statements or other historical financial information, prepared for a special purpose, the auditor considers the needs of specific users in the context of the objective of the engagement.~~ Other historical financial information prepared to meet the information needs of specific intended users may be used by those intended users to meet an objective unrelated to making economic decisions (for example, other historical financial information prepared to meet the requirements of a regulator). In this case, the auditor considers the information needs of those intended users. The auditor’s consideration takes account of the specific intended users’ objective for that financial information, and the applicable financial reporting framework (e.g., whether it defines materiality).

Determining Materiality for the Financial Statements as a Whole when Planning the Audit

12a. The materiality level appropriate for a complete set of financial statements may not be appropriate for a single financial statement. The materiality level may also be different for a specific element, account or item of a financial statement, compared to an entire financial statement, since a specific element, account or item may provide a smaller base against which to measure materiality.

ISA 700 (Revised), “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements”

Introduction

3. ~~ISA-800~~ 701, “The Independent Auditor’s Report on ~~Special Purpose Audit Engagements~~ Other Historical Financial Information” establishes standards and provides guidance on the form and content of the auditor’s report issued as a result of an audit of other historical financial information not addressed in this ISA including:
- (a) A complete set of financial statements prepared in accordance with ~~an other comprehensive basis of accounting a financial reporting framework designed for a special purpose;~~
 - (b) A complete set of financial statements prepared in accordance with a financial reporting framework designed for a general purpose, but not designed to achieve fair presentation;
 - (c) ~~A component single financial statement, or statements, that would otherwise be part of a complete set of general purpose or special purpose financial statements, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement; and~~
 - (d) One or more specific elements, accounts or items of a financial statement.
 - ~~(e) Compliance with contractual agreements; and~~
 - ~~(d) Summarized financial statements.~~
- 3a. Paragraphs 29 and 31 of ISA 701 also address additional audit and reporting considerations the auditor needs to take into account when reporting on financial statements that are addressed in this ISA (prepared in accordance with a financial reporting framework that is designed to achieve fair presentation) but which are, nevertheless, intended to be used for a special purpose.