



By e-mail < Edcomments@ifac.org >

24 April 2008

Our Ref.: C/AASC

Executive Director, Professional Standards
International Auditing and Assurance Standards Board,
International Federation of Accountants,
545 Fifth Avenue, 14th Floor,
New York 10017, USA.

Dear Sir,

[IAASB Exposure Draft of proposed ISA 501 \(Redrafted\) Audit Evidence Regarding Specific Financial Statement Account Balances and Disclosures](#)

The Hong Kong Institute of Certified Public Accountants is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong. We welcome the opportunity to provide you with our comments on the captioned IAASB Exposure Draft.

Before we comment on the subject IAASB Exposure Draft, we would like to take this opportunity to reiterate a point made by us in our submission dated 28 March 2006 on the IAASB Exposure Draft on Improving the Clarity of IAASB Standards. We are of the view that the IAASB should approach the development of the objectives of each ISA together rather than on a piecemeal ISA-by-ISA basis as it works through the clarity project. Accordingly, we strongly recommend that the IAASB commences to look at the objectives in all ISAs and link them to the objective in the proposed ISA 200.

Notwithstanding our above comment, we support the proposed redrafted ISA and consider that generally the objective to be achieved by the auditor, as stated in the proposed redrafted ISA, is appropriate. Furthermore, the criteria identified by the IAASB for determining a requirement has been applied appropriately and consistently such that the resulting requirements will promote consistency and the use of professional judgement by auditors. Our comments on the significant proposal in the proposed redrafted ISA are set out in the attachment.

We trust that our comments are of assistance to you. If you require any clarifications on our comments, please do not hesitate to contact me or Steve Ong, Deputy Director, Standard Setting (ong@hkiipa.org.hk).

Yours faithfully,

Patricia McBride
Executive Director

PM/SO/ac
Encl.



ATTACHMENT

**HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE
IAASB EXPOSURE DRAFT OF ISA 501 (REDRAFTED) AUDIT EVIDENCE REGARDING
SPECIFIC FINANCIAL STATEMENT ACCOUNT BALANCES AND DISCLOSURES**

Requests for Specific Comments

- 1. Do you agree with the proposal to remove the requirement and guidance on auditing the valuation and disclosure of long-term investments?**

We agree with the removal of the requirement and guidance on auditing the valuation and disclosure of long-term investments as the term "long term investment" is no longer prevalent under International and Hong Kong Financial Reporting Standards. Audit issues in connection with the valuation and disclosure of investments would arise principally only where estimation uncertainty is involved. Furthermore, ISA 540 (Revised and Redrafted) *Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures* provides relevant requirements and guidance in relation to estimation uncertainty.

- 2. Are the objectives to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?**

We believe that the objectives are appropriate.

- 3. Have the criteria identified by the IAASB for determining whether a requirements should be specified been appropriately and consistently, such that the resulting requirements promote consistency in performance and reporting, and use of professional judgment by auditors?**

We believe that the criteria have been applied appropriately and consistently.

~ END ~



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Executive Director, Professional Standards
International Auditing and Assurance Standards Board,
International Federation of Accountants,
545 Fifth Avenue, 14th Floor,
New York 10017, USA.

Dear Sir,

[IAASB Exposure Draft of proposed ISA 520 \(Redrafted\) Analytical Procedures](#)

The Hong Kong Institute of Certified Public Accountants is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong. We welcome the opportunity to provide you with our comments on the captioned IAASB Exposure Draft.

Before we comment on the subject IAASB Exposure Draft, we would like to take this opportunity to reiterate a point made by us in our submission dated 28 March 2006 on the IAASB Exposure Draft on Improving the Clarity of IAASB Standards. We are of the view that the IAASB should approach the development of the objectives of each ISA together rather than on a piecemeal ISA-by-ISA basis as it works through the clarity project. Accordingly, we strongly recommend that the IAASB commences to look at the objectives in all ISAs and link them to the objective in the proposed ISA 200.

Notwithstanding our above comment, we support the proposed redrafted ISA and consider that generally the objective to be achieved by the auditor, as stated in the proposed redrafted ISA, is appropriate. Furthermore, the criteria identified by the IAASB for determining a requirement has been applied appropriately and consistently such that the resulting requirements will promote consistency and the use of professional judgement by auditors. Our comments on the significant proposal in the proposed redrafted ISA are set out in the attachment.

We trust that our comments are of assistance to you. If you require any clarifications on our comments, please do not hesitate to contact me or Steve Ong, Deputy Director, Standard Setting (ong@hkiipa.org.hk).

Yours faithfully,

Patricia McBride
Executive Director

PM/SO/ac
Encl.



ATTACHMENT

HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON
THE IAASB EXPOSURE DRAFT OF ISA 520 (REDRAFTED)
ANALYTICAL PROCEDURES

Requests for Specific Comments

- 1. Are the objectives to be achieved by the auditor, stated in the proposed redrafted ISA, appropriate?**

We believe that the objectives are appropriate.

- 2. Have the criteria identified by the IAASB for determining whether a requirements should be specified been appropriately and consistently, such that the resulting requirements promote consistency in performance and reporting, and use of professional judgment by auditors?**

We believe that the criteria have been applied appropriately and consistently.

Conforming amendment to ISA 315 (Redrafted) *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*

- 3. We agree with the repositioning of paragraph 8.2 and the first sentence of paragraph 9 in the extant ISA 520 to ISA 315 (Redrafted) as the guidance is on analytical risk assessment procedures and hence more appropriately to reposition them to ISA 315 (Redrafted).**

~ END ~