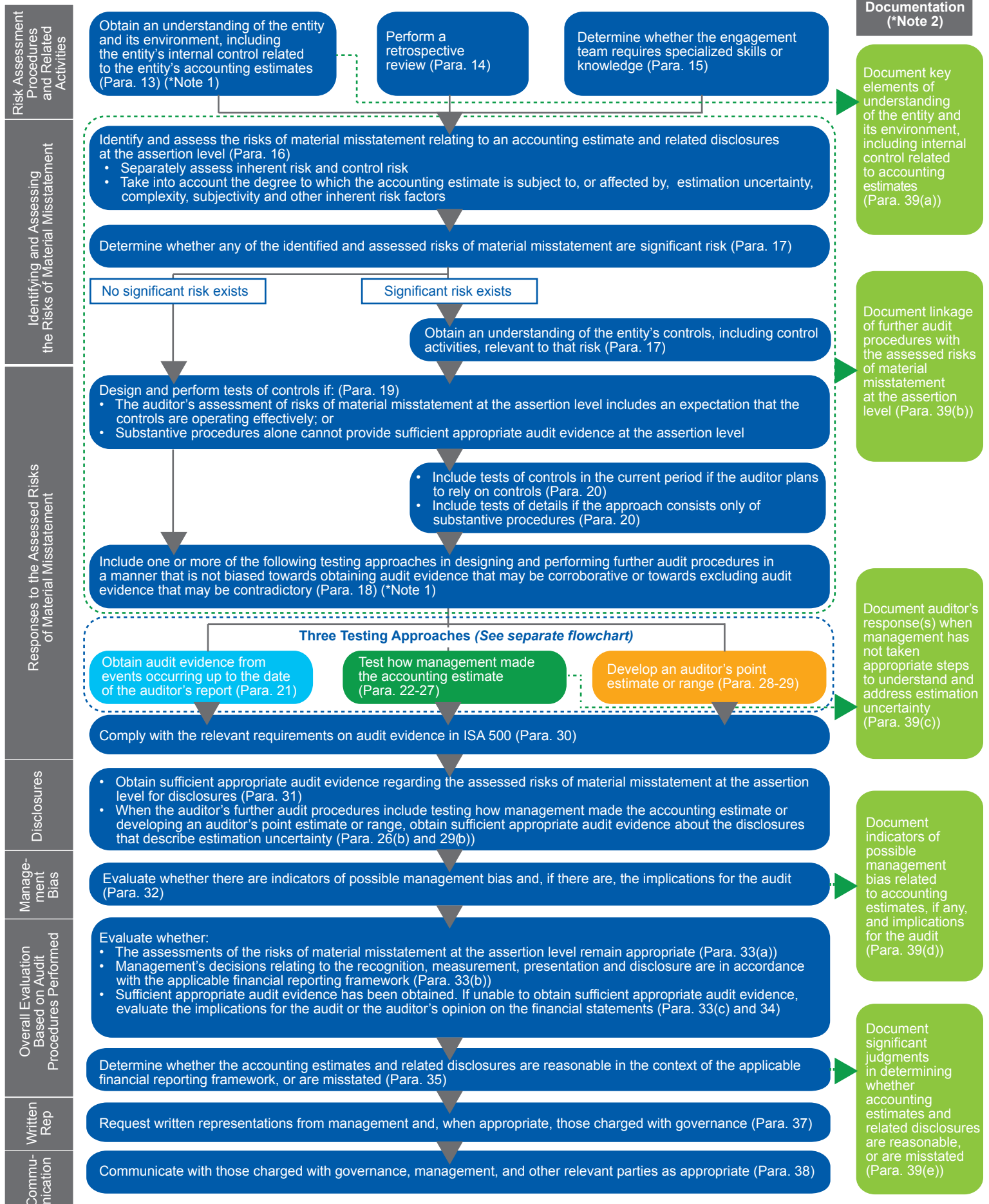


ISA 540 (Revised) — Requirements

This flowchart shows the flow of the requirements in ISA 540 (Revised).



* Notes

1. Scalability

- The nature, timing and extent of the risk assessment and further audit procedures will vary in relation to the estimation uncertainty and the assessment of the related risks of material misstatement. (Para. 3)
 - The auditor's procedures to obtain the understanding of the entity and its environment shall be performed to the extent necessary to provide an appropriate basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels. (Para. 13)
 - The auditor's further audit procedures need to be responsive to the reasons for the assessment of the risks of material misstatement at the assertion level and that the auditor's further audit procedures shall take into account that the higher the assessed risk of material misstatement, the more persuasive the audit evidence needs to be. (Para. 18)
- Guidance that demonstrates how the standard is scalable can be found in paragraphs A20–A22, A63, A67 and A84. (Para. A7)

2. Documentation

- Paragraph 39 of ISA 540 (Revised) outlines the specific documentation requirements with respect to auditing accounting estimates and related disclosures. Refer to ISA 230, *Audit Documentation*, with respect to the auditor's responsibility to prepare audit documentation for an audit of financial statements, and its Appendix, which lists other ISAs that contain specific documentation requirements and guidance.