**Practice Aid**

Obtaining and documenting an understanding of common accounting estimates

# **Overview**

This Practice Aid can be used by engagement teams as a point of reference when obtaining and documenting an understanding of accounting estimates as part of risk assessment procedures, or when reviewing documentation of the understanding of accounting estimates in the procedure ‘ *Accounting estimates - Understanding and risk assessment* ’. The examples included for each accounting estimate do not represent an exhaustive list of characteristics we may need to understand for the purposes of performing risk assessment procedures. Likewise each of these example characteristics may not apply as the practice aid is intended to provide multiple examples of commonly applicable methods, assumptions and data, some of which may be mutually exclusive.

Note that the financial reporting framework requirements and disclosures included in this Practice Aid reflect the requirements of the International Financial Reporting Standards (IFRS) as effective for 2020. If the basis of preparation of the financial information subject to audit is another reporting framework (e.g., PSAB) the requirements may differ for each of the estimates.

This Practice Aid covers the following characteristics:

* IFRS requirements, including disclosures **(**[**OAG Audit 7072**](http://localhost/intranet/financial-audits/manual/7072.shtm) **)**
* Method(s) specified by IFRS, if applicable, or commonly used methods **(**[**OAG Audit 7073.1**](http://localhost/intranet/financial-audits/manual/7073-1.shtm)**)**
* Commonly applicable assumptions **(**[**OAG Audit 7073.1**](http://localhost/intranet/financial-audits/manual/7073-1.shtm)**)**
* Commonly applicable data types **(**[**OAG Audit 7073.1**](http://localhost/intranet/financial-audits/manual/7073-1.shtm)**)**
* Retrospective review procedures performed for risk assessment purposes **(**[**OAG Audit 7073.1**](http://localhost/intranet/financial-audits/manual/7073-1.shtm)**)**
* Specific risk(s) **(**[**OAG Audit 7073.3**](http://localhost/intranet/financial-audits/manual/7073-3.shtm)**)**
* Examples of relevant control activities **(**[**OAG Audit 7073.1**](http://localhost/intranet/financial-audits/manual/7073-1.shtm)**)**
* Procedures available for documenting responses to assessed risks

The relevant characteristics will differ for each accounting estimate based on entity and estimate-specific facts and circumstances. Depending on specific facts and circumstances and how management uses information in its method to make an accounting estimate, characteristics classified in the Practice Aid as assumptions may instead meet the definition of data as set out in CAS 540.A3-A6, and vice versa. Similarly, characteristics listed as ‘Underlying *data to which management applies assumptions’* may in some circumstances be used by management to develop assumptions and may therefore be more appropriately classified as ‘*Data supporting management’s assumptions*’.

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| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 9 - Financial instruments**  **Paragraphs 5.5.3, 5.5.5, 5.5.9 to 5.5.11** - *General model*: A loss allowance for a financial asset measured at amortized cost of Fair Value through Other Comprehensive Income (FVOCI) is to be measured at each reporting date at an amount equal to lifetime expected credit losses if the credit risk on a financial instrument has increased significantly since initial recognition (otherwise a 12-month expected credit losses is recognized).  **Paragraph 5.5.15** - Simplified model: For trade receivables or contract assets that do not contain a significant financing component, the loss allowance is to be measured at initial recognition and throughout its life at an amount equal to lifetime ECL.  For lease receivables, and trade receivables and contract assets which contain a significant financing component, either the simplified approach (that is, to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life) or general model (lifetime expected credit losses if the credit risk on a financial instrument has increased significantly since initial recognition, otherwise 12-month expected credit losses) can be applied. |
| **Details of the nature of related disclosures required by IFRS** | Various related disclosures required by **IFRS 7 paragraphs 35A to 35N** related to :   * Credit risk management practices * Details about inputs, assumptions and estimation techniques used * Quantitative and qualitative information about amounts arising from expected credit losses * Changes in the loss allowance * Nature and effect of modifications of contractual cash flows on financial assets * Effect of collateral and other credit enhancements on the amounts arising from expected credit losses * Credit risk exposure |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | The appropriate method will depend on the nature and characteristics of the financial asset. For accounts receivable, IFRS 9 allows a provision matrix to be used for recognizing ECL. This may involve:   * Appropriately grouping receivables if historical (or forecast) credit loss experience shows significantly different loss patterns for different customer segments. * Adjusting historical credit loss experience to incorporate relevant, current and more forward-looking information that is reasonable and supportable, and available without undue cost or effort at the reporting date * Determining different loss rates for the different ageing ‘buckets’ of receivables. For example, older receivables would typically be expected to have a higher loss rate than more current receivables |
| **Commonly applicable assumptions** | * Forward-looking information that is used to adjust historical credit loss experience - for example, expected changes in the economic, regulatory and technological environment (such as industry outlook, Gross Domestic Product (GDP), employment, politics), and external market indicators * Assumptions about the expected life of financial instruments and the timing of the sale of collateral |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Contractual terms of the financial assets * Outstanding amounts receivable at the measurement date * Active market exchange data from reputable sources (e.g., level 1 inputs)   **Data supporting management's assumptions (if applicable)**   * Historic loss experience data used in developing assumptions * Data that is used by management to develop assumptions related to forward-looking information, such as Gross Domestic Product, interest or inflation rates from reputable sources (e.g., governmental agencies, international financial data providers) * Market data related to similar transactions (e.g., level 2 inputs) * Beta measures * Risk-free rates * Equity risk premiums |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to for expected credit losses are not appropriate/ reasonable * Indicators of change in the carrying value of financial asset balances are not appropriately and timely identified |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Approval is required for provision amounts and write offs recorded based on predetermined thresholds * Management reviews and approves the expected credit loss adjustments |
| **Specific audit procedures available for documenting responses to assessed risks** | Test loss allowance for ECL - Use of general 3 stage model (CAS 540)  Test loss allowance for ECL - Use of general 3 stage model (CAS 540) Test loss allowance for ECL - Intercompany accounts (CAS 540) Test loss allowance for ECL - Accounts receivable (Simplified approach) (CAS 540) Test loss allowance for ECL - Use of general 3 stage model (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework

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| **Fair value of financial instruments** | |
| **Accounting estimate** | **Fair value of financial instruments**   * **Fair value of investments in debt and equity securities** * **Fair value of notes receivable** * **Fair value of liability component of compound instruments components** * **Fair value of notes payable and long-term debt** * **Fair value of derivatives and separated embedded derivatives** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 9 - Financial instruments**  **Paragraphs 5.1.1 to 5.2.1** - Financial assets (other than trade receivables) and financial liabilities are initially measured at fair value (plus or minus transaction costs) for financial assets and financial liabilities that are not subsequently measured at FVTPL.  Financial assets and financial liabilities are subsequently measured at fair value through profit or loss, unless measured at amortized cost or at fair value through other comprehensive income.  All financial liabilities are subsequently measured at amortized cost, unless they are required to be measured at FVTPL or an entity has opted to measure a liability at FVTPL.  **IAS 32 - Financial instruments**  **Paragraphs 28 to 32** - Components of compound financial instruments are to be separately accounted for as financial liabilities, financial assets or equity instruments. |
| **Details of the nature of related disclosures required by IFRS** | Various fair value related disclosures are required by **IFRS 7**, **including paragraphs 9, 10, 10A, 11, and 25 to 30**.  Also, **IFRS 13 paragraphs 91 to 99** require some disclosures that help users of financial statements to assess the valuation techniques and inputs, and effect of the measurements on profit or loss or other comprehensive income for the period. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | **IFRS 13 paragraph 62** specifies 3 types of valuation techniques (and criteria for selection of the appropriate technique for each type of asset or liability):   * Market approach * Income approach * Cost approach |
| **Commonly applicable assumptions** | Assumptions will differ based on the nature and characteristics of the instrument, but may include:   * Projected future cash flows * Discount rates * Assumptions to determine credit spread/risk * Expectations about future price volatility * Assumptions related to the valuation of comparable entities (e.g., enterprise value multiples) used to estimate fair value * Taxation-related assumptions |
| **Commonly applicable data types** | Data used will differ based on the type of the financial instrument but may include:  **Underlying data to which management applies assumptions**   * Contractual terms and conditions of the instrument * Credit ratings * Currency exchange rates * Macroeconomic data including Interest and inflation rates from reputable sources (e.g., governmental agencies, international financial data providers) * Active market exchange data from reputable sources (level 1 inputs) * Market data related to similar transactions (level 2 inputs)   **Data supporting management's assumptions (if applicable)**   * Beta measures * Risk-free rates * Equity risk premiums * Macroeconomic data including Interest and inflation rates from reputable sources (e.g., governmental agencies, international financial data providers) * Historical price information |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate subsequent (e.g., period end) valuation are not appropriate/ reasonable * Third party pricing sources or prices obtained from third-party pricing sources are not reliable, reasonable or comparable with other third-party sources * Derivatives transactions and balances are not appropriately classified, presented or disclosed (e.g., netting or offset, levelling disclosures, qualitative disclosures or letters of credit, etc.) * Components of complex debt instruments (e.g., debt with equity features, embedded derivatives, etc.) are not identified or properly classified and measured |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Valuation methods are reviewed * Review of third-party valuations * Pricing models are reviewed * Review and approval of financial instruments valuation entries * Comparison of derivative transactions recorded to supporting documentation * One-for-one check of information obtained from the treasury department to derivative transactions recorded * Contracts entered into a non-market rates are reviewed * Fair value disclosures are reviewed by management * Management reviews netting of derivative assets and liabilities * Complexities (e.g., lease classification, embedded derivatives, conversion features or equity components) within debt agreements are reviewed by management |
| **Specific audit procedures available for documenting responses to assessed risks** | Test subsequent measurement at fair value—Investments in debt and equity securities (CAS 540)  Test subsequent measurement at fair value—Notes receivable (CAS 540)  Test subsequent measurement at fair value—Notes payable and long-term debt (CAS 540)  Test initial and subsequent measurement at fair value of derivatives (CAS 540)  Test initial and subsequent measurement at fair value of embedded derivatives (CAS 540) |

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| **Inventory** | |
| **Accounting estimate** | **Net realizable value of inventory** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 2 - Inventories**  **Paragraph 9** - Inventories shall be measured at the lower of cost and net realizable value.  **Paragraph** **30** - Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. |
| **Details of the nature of related disclosures required by IFRS** | **IAS 2 paragraph 36** requires the disclosure of the amount of any write-down of inventories recognized as an expense in the period. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | IAS 2 does not prescribe specific methods for measuring the net realizable value of inventories. However, entities commonly assess whether write downs to realizable value are necessary by calculating an allowance that may be based on one or a combination of factors, including the following:   * Damage, expiry, slow movement or ageing of inventory indicating a reduced likelihood of sale; * Obsolescence owing to ending product cycles or introduction of new products by the entity or its competitors; or * Reductions in sale prices of product types or inventory lines.   A net realizable value analysis may be approached using different bases to analyse realizable value, such as unit, product or class of inventory.  When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value. |
| **Commonly applicable assumptions** | * Estimated selling prices based on forecasted demand * Forecasts of demand based on the historical patterns * Estimated costs of completion, disposal and transportation * Obsolescence assumptions based on aging of inventory * Assumptions related to realizable value of damaged inventory |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Inventory cost and quantity * Inventory purchase or manufacture dates and supporting aging of inventory * Product expiry dates   **Data supporting management's assumptions (if applicable)**   * Selling prices and quantities (historical, expected or actual sales) * Historical or realized scrap values * Historical margins * Industry or market data which demonstrates the inventory may become obsolete or that there may be a reduction in future demand * Summary of damage/obsolete items identified during client’s physical count |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate accruals related to lower of cost and net realizable value (or market) adjustments are not appropriate * Slow-moving, obsolete or damaged goods are not identified * Goods incorrectly valued in excess of net realizable value are not identified |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Analysis of the inventory sub-ledger to assess the reasonableness of the inventory reserve * Analysis of the inventory margins to assess the reasonableness of the lower of cost or market (LCM) reserve * Management reviews and approves reserves related to the valuation of inventory |
| **Specific audit procedures available for documenting responses to assessed risks** | Test net realizable value of inventory (CAS 540) |

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| **Inventory** | |
| **Accounting estimate** | **Capitalized variances arising from differences between standard and actual cost** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 2 - Inventories**  **Paragraph 21** - Techniques for the measurement of the cost of inventories, such as the standard cost method or the retail method, may be used for convenience if the results approximate cost. Standard costs take into account normal levels of materials and supplies, labor, efficiency and capacity utilisation. They are regularly reviewed and, if necessary, revised in the light of current conditions. |
| **Details of the nature of related disclosures required by IFRS** | No specific disclosure requirements under IFRS. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | IAS 2 does not prescribe a specific method to be applied for the capitalization of variances arising from differences between standard cost and actual cost. Entities need to apply a method that results in an approximation of the actual cost of inventory based on the normal levels of production.  Variances may be analyzed and tracked against specific products to which they relate or more broadly grouped by category and then at period-end an exercise performed to determine the portion of variances, if any, to allocate to remaining inventory based on assumptions of inventory turnover.  Capitalization of variances occurs before making net realizable value determination. Variances due to idle capacity or abnormally low production are not capitalized. |
| **Commonly applicable assumptions** | * Percentage of raw material purchases used in the production of finished goods sold and still on hand on the reporting date to total purchasing volume |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Listing of year end inventory at standard cost * Listing of total variances for the year * Labor hours charged by department * Production items produced * Costs related to the appropriate department code or cost center * Listing of purchases by item   **Data supporting management's assumptions (if applicable)**   * Costing reports used to determine inventory turnover * Bill of materials * Historical data to determine the normal levels of materials, supplies, and labor used in the business |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate production and overhead costs and related variances are not appropriate/ reasonable * Production, overhead costs and related variances are not appropriately and accurately calculated and recorded |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Management reviews and approves variances for completeness and accuracy * System calculates variance allocations to/ from inventory * Comparison of standard cost changes to approved source documentation * Periodic review of standard costs * Management reviews and approves reserves related to the valuation of inventory |
| **Specific audit procedures available for documenting responses to assessed risks** | Test the cost of inventory—capitalized standard cost variances (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Inventory** | |
| **Accounting estimate** | **Amounts receivable (or deductible) in respect of rebates, discounts or other incentives included in purchase agreements** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 2 - Inventories**  **Paragraph 11** - Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.  Note that when inventory is purchased on deferred settlement terms, it may effectively contain a financing element in which case the difference between the purchase price for normal credit terms and the amount paid, is recognized as interest expense over the period of the financing (paragraph 18). |
| **Details of the nature of related disclosures required by IFRS** | No specific disclosure requirements under IFRS, although **IAS 2.36(b)** requires disclosure of the total carrying amount of inventories. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | No specific methods specified by IFRS, however note that volume rebates or discounts and other contractual changes in the prices of raw materials, labor, or other purchased goods and services are recognized if it is probable that they have been earned or will take effect. Thus, contractual rebates and discounts are anticipated but discretionary rebates and discounts are not anticipated as the conditions for recognition of an asset would typically not be met. |
| **Commonly applicable assumptions** | * Forecast purchase activity entitling entity to rebates, discounts or other incentives at the period end * Proportion of rebates receivable that relate to cost of inventory on hand |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Aggregate purchases from supplier for the period over which rebates, discounts and incentives are assessed   **Data supporting management's assumptions (if applicable)**   * Terms of the arrangements with suppliers |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate amounts receivable (or deductible) in respect of rebate, discount or other incentives included in purchase agreements are not appropriate/ reasonable * Inventory is not adjusted for credits due to the entity (e.g., for rebates, discounts or returns), or not recorded in the correct period or at the correct amount |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Adjustments are approved - Purchasing & Payables |
| **Specific audit procedures available for documenting responses to assessed risks** | Test supplier rebates, discounts or other incentives (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Inventory** | |
| **Accounting estimate** | **Allocated production overheads included within the cost of inventory** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 2 - Inventories**  **Paragraph 10** - The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.  **Paragraph 12** - Costs of conversion include:   * Costs directly related to the units of production, such as direct labor; and * Systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. |
| **Details of the nature of related disclosures required by IFRS** | Various related disclosures required by **IAS 2 paragraphs 36A to 36H** related to accounting policies, the cost formula used and the amount of inventories recognized as an expense during the period. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | The IAS 2 definition of costs of conversion of inventories includes a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.  The allocation of fixed production overheads is based on the normal capacity of the production facilities. The actual capacity of production may be used if it approximates normal capacity. In periods of abnormally high production, the amount of fixed overhead allocated to each unit of production is decreased so that inventories are not measured above cost. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of low production or idle plant. Unallocated overheads are recognized as an expense in the period in which they are incurred.  Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. |
| **Commonly applicable assumptions** | * Allocation of indirect material purchases used in the production of finished goods * Allocation of indirect labor costs * Allocation of other indirect production costs (e.g., depreciation) * Level of average production capacity expected, taking into account the loss of capacity resulting from planned maintenance * The amount of fixed overhead as a result of an idle plant or abnormally low production |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Labor hours charged by department * Production items produced * Aggregate costs by type and appropriate department code or cost center   **Data supporting management's assumptions (if applicable)**   * Bill of materials * Historical production capacity from inventory costing reports |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate production and overhead costs and related variances are not appropriate/ reasonable * Accounting for transfer of inventory (e.g., from raw materials to work-in-progress or finished goods) is not complete and accurate or performed on a timely basis * Production, overhead costs and related variances are not appropriately and accurately calculated and recorded |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Production labor costs are reviewed for completeness and accuracy * Overhead costs are reviewed for completeness and accuracy * System updates quantities based on movements during the production process * Manual comparison of total materials requested and transferred to production * System applies costs from cost master file * Manual application of costs from cost master file * System applies the correct costing methodology * Production labor hours are reconciled |
| **Specific audit procedures available for documenting responses to assessed risks** | Test the cost of manufactured inventory—finished goods and work-in-progress (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **General borrowing costs capitalized** | |
| **Accounting estimate** | **General borrowing costs capitalized, including:**   * **Inventory** * **Property, Plant & Equipment** * **Investment properties** * **Intangible assets subject to amortization** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 23 - Borrowing costs**  **Paragraph 8** - Capitalized borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are to be recognized as part of the cost of that asset. |
| **Details of the nature of related disclosures required by IFRS** | **IAS 23 paragraph 26** requires disclosures about the amount of borrowing costs capitalized and the capitalization rate used to determine the amount of borrowing costs eligible for capitalization. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | IAS 23 requires application of a capitalization rate to the expenditures for property, plant and equipment to determine the amount of borrowing costs to be capitalized as part of the aggregate asset cost. |
| **Commonly applicable assumptions** | * Capitalization rate used to determine the amount of borrowing costs eligible for capitalization |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Borrowing outstanding during the period * Aggregate project expenditures used to calculate and apply the capitalization rate * Analysis of interest and other costs incurred in connection with the borrowing of funds, including interest expense calculated using the effective interest method * Currency exchange rates   **Data supporting management's assumptions (if applicable)**   * Average carrying amount of the asset during the applicable acquisition, construction or production period * Evidence of completion for a qualifying asset for its intended use or sale |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Costs (e.g., interest) are inappropriately capitalized or expensed * Method (including any model), significant assumptions and data used to estimate general borrowing costs capitalized are not appropriate/ reasonable |
| **Examples of relevant control activities** | * Capitalized interest calculation is reviewed * Management reviews and approves accounting estimates |
| **Specific audit procedures available for documenting responses to assessed risks** | Test borrowing costs capitalized (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Lessor accounting - initial measurement and modifications** | |
| **Accounting estimate** | **Net investment in leases** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 16 - Leases**  **Paragraphs 67-70** - Assets held under a finance lease are to be recognized as a receivable at an amount equal to the net investment in the lease, calculated as the lease payments receivable, plus any unguaranteed residual value accruing to the lessor, discounted at the interest rate implicit in the lease.  There are also specific requirements that apply to manufacturer or dealer lessors in **paragraphs 71-74.** |
| **Details of the nature of related disclosures required by IFRS** | **IFRS 16 paragraphs 89-94** include various required disclosures for lessors. These include information that helps users assess how the lessor manages the risk associated with any rights it retains in underlying assets (e.g., buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits). |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | * Net investment in the lease comprises the following payments for the right to use the underlying asset during the lease term that are not received at the commencement date:   – fixed payments (including in-substance fixed payments), less any lease incentives payable  – variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date  – any residual value guarantees provided to the lessor by the lessee, a party related to the lessee or a third party unrelated to the lessor that is financially capable of discharging the obligations under the guarantee  – the exercise price of a purchase option if the lessee is reasonably certain to exercise that option  – payments of penalties for terminating the lease, if it is reasonably certain that the lessee will exercise an option to terminate the lease  – the lessor shall use the interest rate implicit in the lease to measure the net investment in the lease |
| **Commonly applicable assumptions** | * Assumptions made in establishing whether extension or termination options are reasonably certain to be / not to be exercised, taking into account the broader economics of the contract as well as penalty payments (e.g., expected level of significant leasehold improvements made over the life of the lease, or expected negotiation, relocation or restoration costs associated with the termination of the lease) * Discount rate (interest rate implicit in the lease) * Amounts expected to be receivable under residual guarantees * Assumptions used to determine non-observable stand-alone selling price at contract inception of lease and non-lease components * Fair value of underlying assets |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Contractual terms and conditions, including:   – details of lease period, including periods covered by extension and termination options.  – fixed and variable lease payment terms  – index rates used to measure variable lease payments  – lease incentives payable  – exercise price of purchase options  – lease termination penalties  **Data supporting management’s assumptions (if applicable)**   * Termination and extension terms from lease contract * Market or other data used to forecast likelihood of lessee exercising extension, termination or purchase options * Historical information regarding usage or other data used to calculate amounts receivable under residual guarantees |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the relative standalone price when allocating consideration to lease components are not appropriate/ reasonable * Lease payments used to calculate the present value of the sum of the lease payments are not complete and accurate * Residual value guarantees used to calculate the present value of the sum of the lease payments are not complete and accurate * The discount rate used to calculate the present value of the sum of lease payments is not appropriate * The present value of the sum of the lease payments is not accurate and based on commencement date (Lessee accounting) * Assumptions made in satisfying IFRS 16 disclosure requirements are not reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Initial measurement of net investment in lease at commencement date is reviewed * Present value of lease payments receivable is reviewed * Management reviews estimate for unguaranteed residual asset value * Comparison of items on a list of period-end recurring entries to entries recorded |
| **Specific audit procedures available for documenting responses to assessed risks** | Test classification and initial recognition and measurement—Lessor accounting (CAS 540)  Test subsequent measurement—Lessor accounting—Finance leases (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Recoverable amount of Assets** | |
| **Accounting estimate** | **Recoverable amount of assets, including:**   * **Property, Plant & Equipment** * **Investment properties** * **Investments in subsidiaries and affiliates (for investments held at cost)** * **Intangible assets subject to amortization** * **Goodwill and indefinite-lived intangible assets** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 16 - Property, plant and equipment**  **Paragraphs 30-31** - Property, Plant & Equipment items are to be carried at their cost less any accumulated depreciation and any accumulated impairment losses, or at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses.  **IAS 40 - Investment property**  **Paragraph 56** - Investment properties held at cost are to be measured in accordance with IAS 16.  **IAS 38 - Intangible assets**  **Paragraphs 74-75** - Intangible assets are to be carried at cost less any accumulated amortization and any accumulated impairment losses, or at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses.  **IAS 27 - Separate financial statements**  **Paragraph 10** - Investments in subsidiaries, joint ventures and associates are to be measured either at cost, or in accordance with IFRS 9; or using the equity method as described in IAS 28.  **IAS 36 - Impairment of assets**  **Paragraphs 18-57** - Measuring recoverable amount. |
| **Details of the nature of related disclosures required by IFRS** | Various related disclosures required by **IAS 36 paragraphs 126 to 137**, including the judgements and estimates involved in impairment calculations. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | IAS 36 defines recoverable amount as the higher of an asset's or cash-generating unit's (CGU’s) fair value less costs of disposal and its value in use. The standard provides additional guidance on the use of present value techniques in measuring an asset's value in use.  In determining fair value IAS 36 refers to the measurement requirements of IFRS 13 Fair Value Measurement.  **IFRS 13 paragraph 62** of specifies 3 types of valuation techniques (and criteria for selection of the appropriate technique for each type of asset or liability):   * Market approach * Income approach * Cost approach |
| **Commonly applicable assumptions**  *Note - The specific nature of assumptions considered to be appropriate may differ depending on the method(s) used to estimate recoverable amount (Fair value less costs of disposal and/or Value in use).* | * Projected future cash flows, including revenues and assumed revenue growth rates (including growth rate applied to calculate terminal value), projected margins, capital expenditures and working capital requirements * Discount rates * Taxation-related assumptions, such as the ability to realize acquired past tax losses or in relation to uncertain tax positions * Estimated costs of construction/replacement when assets (e.g., when the cost approach is used) |
| **Commonly applicable data types** | Data used will differ based on the type of the asset but may include:  **Underlying data to which management applies assumptions**   * Historical cost financial information for periods prior to projection period * Interest and inflation rates from reputable sources (e.g., governmental agencies, international financial data providers) * Historical prices or other terms included in contracts (e.g., contractually allowed inflationary increases) * Currency exchange rates during the period projected * Revenue and cost inflation projection, when using a nominal discount rate * Active market exchange data from reputable sources (e.g., level 1 inputs)   **Data supporting management's assumptions (if applicable)**   * Beta measures * Risk-free rates * Equity risk premiums * Market data related to similar transactions (e.g., level 2 inputs) |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the carrying value of assets are not appropriate/ reasonable * Indicators of change in the carrying value of the asset are not appropriately and timely identified * Determination of asset groupings/cash generating units is not reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Accounts are reviewed for possible impairment * Management reviews the qualifications and experience of third-party valuation experts * Impairment testing procedures compared to the company's policy * Management reviews impairment testing for reasonableness * Comparison between entries resulting from impairment testing to entries recorded * Management reviews asset groupings/cash generating unit determination |
| **Specific audit procedures available for documenting responses to assessed risks** | Test recoverable amount—Property, plant and equipment (CAS 540)  Test recoverable amount (cost model)—Investment properties (CAS 540)  Test recoverable amount —Goodwill and indefinite-lived intangible assets (CAS 540)  Test recoverable amount —Intangible assets subject to amortization (CAS 540)  Test recoverable amount—Investments in subsidiaries and affiliates (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Fair value of non-current assets** | |
| **Accounting estimate** | **Fair value of non-current assets**   * **Fair value of property, plant and equipment ('revaluation model')** * **Non-current assets classified as held for sale measured at fair value less costs to sell** * **Fair value of investment properties ('fair value model')** * **Fair value of intangible assets subject to amortization ('revaluation model')** * **Fair value of indefinite-lived intangible assets ('revaluation model)** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 38 - Intangible assets**  **Paragraphs 75-87** - Intangible assets are to be carried at a revalued amount or cost model, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses.  **Paragraph 108** - In accordance with IAS 36, an entity is required to test an intangible asset with an indefinite useful life for impairment by comparing itsrecoverable amount with its carrying amount:  (a) annually, and  (b) whenever there is an indication that the intangible asset may be impaired  **IAS 40 - Investment property**  **Paragraph 33 to 52** - Investment property held at fair value model are to be measured in accordance with IFRS 13.  **IAS 16 - Property, plant and equipment**  **Paragraphs 31-42** - PP&E are measured at revalued amount.  **IFRS 5 - Non-current assets held for sale and discontinued operations**  **Paragraphs 15 and 15A** - Non-current assets (or disposal group) classified as held for sale are to be measured at the lower of its carrying amount and fair value less costs to sell. |
| **Details of the nature of related disclosures required by IFRS** | Various related disclosures required by:   * **IAS 38 paragraph 118 and** 124 when the entity has items of intangible assets subject to amortization stated at revalued amount. * **IAS 40 paragraph 74 to 78** when the entity uses the fair value model. * **IAS 16 paragraph 77** when the entity has items of property, plant and equipment stated at revalued amount. * **IFRS 5 paragraphs 30** and **IFRS 13 paragraphs 91 to 93** when a non-current asset is held for sale. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | **IAS 38 paragraph 75** defines revalued amount as fair value at the date of the revaluation less any subsequent accumulated amortization and subsequent accumulated impairment losses.  When fair value model is used under IAS 40 the entity applies IFRS 13 to measure the fair value **(IAS 40.40)**.  IAS 16 defines revalued amount as fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.  IFRS 5 includes a requirement to measure a non-current asset classified as held for sale at the lower of its carrying amount and fair value less costs to sell.  **IFRS 13 paragraph 62** specifies 3 types of valuation techniques (and criteria for selection of the appropriate technique for each type of asset or liability):   * Market approach * Income approach * Cost approach |
| **Commonly applicable assumptions** | * Projected future cash flows, including revenues and assumed revenue growth rates (including growth rate applied to calculate terminal value), projected margins, capital expenditures and working capital requirements * Discount rates * Taxation-related assumptions, such as the ability to realize acquired past tax losses or in relation to uncertain tax positions * Estimated costs of construction/ replacement when assets (e.g., when the cost approach is used) |
| **Commonly applicable data types**  ***Note*** *- It may be applicable to leverage assumptions or/ and data from other accounting estimates information depending on the nature of the non-current assets.* | Data used will differ based on the type of the asset but may include:  **Underlying data to which management applies assumptions**   * Historical cost financial information for periods prior to projection period * Interest and inflation rates from reputable sources (e.g., governmental agencies, international financial data providers) * Historical prices or other terms included in contracts (e.g., contractually allowed inflationary increases) * Currency exchange rates during the period projected * Revenue and cost inflation projection, when using a nominal discount rate * Active market exchange data from reputable sources (e.g., level 1 inputs)   **Data supporting management's assumptions (if applicable)**   * Beta measures * Risk-free rates * Equity risk premiums * Market data related to similar transactions (e.g., level 2 inputs) |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the carrying value of assets are not appropriate/ reasonable * Indicators of change in the carrying value of the asset are not appropriately and timely identified * Determination of asset groupings/cash generating units is not reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Management reviews third-party valuations of investment properties or property, plant and equipment under revaluation model * Management reviews asset groupings/cash generating unit determination * Management reviews the qualifications and experience of third-party valuation experts |
| **Specific audit procedures available for documenting responses to assessed risks** | Test subsequent measurement ('revaluation model')—Indefinite-lived intangible assets (CAS 540)  Test subsequent measurement ('revaluation model')—Intangible assets subject to amortization (CAS 540)  Test subsequent measurement ('fair value model')—Investment properties (CAS 540)  Test subsequent measurement ('revaluation model')—Property, plant and equipment (CAS 540)  Test measurements of non-current assets classified as held for sale (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Property, plant and equipment** | |
| **Accounting estimate** | **Directly attributable costs capitalized to construction-in-progress assets** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 16 - Property, plant and equipment**  **Paragraphs 16 to 22** - The cost of a self-constructed asset is the aggregate of the cost of material, labor and other inputs used in the construction. |
| **Details of the nature of related disclosures required by IFRS** | **IAS 16 paragraph 74b** requires disclosures about the amount of expenditures recognized in the carrying amount of an item of property, plant and equipment in the course of its construction. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | Under IAS 16 the cost of a self-constructed asset is determined using the same principles as for an acquired asset, which comprises:   * Purchase price * Directly attributable costs of the asset * Initial estimate of decommissioning obligations |
| **Commonly applicable assumptions** | * Allocation of costs of employee arising directly from the construction of the item of property, plant and equipment * Allocation rate for other costs allocable to construction-in- progress |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Analysis of direct and indirect expenditure related to construction-in-progress projects * Time records and payroll costs for employees directly involved in the construction of assets * Contractual terms and conditions of contracts with third party service providers or vendors   **Data supporting management's assumptions (if applicable)**   * List of departments involved in asset construction projects |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate directly attributable costs capitalized to construction-in-progress assets are not appropriate/ reasonable * Acquisitions are capitalized even though they are not authorized, do not exist or the entity does not have legal title * Asset acquisitions are not recorded accurately * Assets included in the asset register do not exist, are without legal title or are not readily identifiable * Asset acquisitions are not recorded, or not recorded in the correct period * Construction-in-progress additions are not authorized, or input accurately, completely or in the correct period * Costs (e.g., interest) are inappropriately capitalized or expensed |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Acquisitions are reviewed by management * Work order reports are reviewed by personnel with requisite knowledge * Construction in progress reviewed for potential impairment * System enforced capital expenditure limits and approval procedures * Capital expenditure requests are approved * Payroll costs are automatically capitalized to projects * One-for-one check of capital project status to system |
| **Specific audit procedures available for documenting responses to assessed risks** | Test construction-in-progress additions (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Property, plant and equipment** | |
| **Accounting estimate** | **Depreciation of property, plant and equipment** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 16 - Property, plant and equipment**  **Paragraphs 43 to 62A** - Depreciation is to be recognized as a systematic allocation of the cost of an asset, or other amount substituted for cost, over its useful life, less its residual value. |
| **Details of the nature of related disclosures required by IFRS** | **CAS 16 paragraphs 75 - 76** requires various disclosures including measurement basis, depreciation method, the useful lives or the depreciation rates used, and corresponding amounts for each class of assets |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | The depreciation method used shall reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the entity. **IAS 16 paragraph 62** defines a variety of depreciation methods, including:   * Straight-line method * Diminishing balance method * Units of production   Note - A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate |
| **Commonly applicable assumptions** | * Useful life of an asset (e.g., expected usage of the asset assessed by reference to the asset’s expected capacity or physical output, change in the market demand) * Residual value of assets. The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Asset cost and net book value * Date the asset was available for use   **Data supporting management's assumptions (if applicable)**   * Historical data about asset maintenance or use * Legal or similar limits on the use of the asset * Past entity practice for asset replacement cycles * Market prices for similar assets in a condition expected at the end of the asset’s useful life |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate depreciation are not appropriate/ reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Review of depreciation methods * Depreciation expense is compared against budget * Useful life for Property, plant & equipment is identified, reviewed and approved on an ongoing basis * System calculates the depreciation amount based on useful life entered * Report of changes to useful life is reviewed |
| **Specific audit procedures available for documenting responses to assessed risks** | Test depreciation expense-Property, plant and equipment (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Investment properties** | |
| **Accounting estimate** | **Depreciation of investment properties (cost model)** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 40 - Investment property**  **Paragraph 56** - IAS 16 requirements are to be applied to measure investment properties for which the entity has chosen to apply the cost model.  **IAS 16 - Property, plant and equipment**  **Paragraphs 43 to 62A** - Depreciation is to be recognized as a systematic allocation of the cost of an asset, or other amount substituted for cost, over its useful life, less its residual value. |
| **Details of the nature of related disclosures required by IFRS** | **IAS 40 paragraph 79** requires various disclosures including measurement basis, depreciation method, the useful lives or the depreciation rates used, and corresponding amounts for each class of asset. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | The depreciation method used shall reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the entity. **IAS 16 paragraph 62** defines a variety of depreciation methods, including:   * Straight-line method * Diminishing balance method * Units of production   Note - A depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. |
| **Commonly applicable assumptions** | * Useful life of an asset (e.g., expected usage of the asset assessed by reference to the expected physical wear and tear, change in the market demand) * Residual value of assets. The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Asset cost and net book value * Date the asset was available for use   **Data supporting management's assumptions (if applicable)**   * Historical data about asset maintenance or use * Legal or similar limits on the use of the asset * Past entity practice for asset replacement cycles * Market prices for similar assets in a condition expected at the end of the asset’s useful life |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate depreciation are not appropriate/ reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Review of depreciation methods * Depreciation expense is compared against budget * Useful life is identified, reviewed and approved on an ongoing basis * System calculates the depreciation amount based on useful life entered * Report of changes to useful life is reviewed |
| **Specific audit procedures available for documenting responses to assessed risks** | Test depreciation expense (cost model)—Investment properties (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Intangible assets subject to amortization** | |
| **Accounting estimate** | **Amortization of intangible assets subject to amortization** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 38 - Intangible assets**  **Paragraphs 97-106** - Amortization is to be recognized as a systematic allocation of the cost of an asset, or other amount substituted for cost, over its useful life, less its residual value. |
| **Details of the nature of related disclosures required by IFRS** | **IAS 38 paragraphs 118 to 123** requires various disclosures including measurement basis, amortization method, the useful lives or the amortization rates used, and corresponding amounts for each class of assets. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | The amortization method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. If that pattern cannot be determined reliably, the straight-line method shall be used. Examples of depreciation methods, include:   * Straight-line method * Diminishing balance method * Units of production   Note - An amortization method that is based on revenue that is generated by an activity that includes the use of an asset is generally not appropriate. |
| **Commonly applicable assumptions** | * Useful life of an asset (e.g., expected usage of the asset assessed by reference to the length of, or number of production or similar units constituting, change in the market demand) * Residual value of intangible assets is assumed to be zero unless there is a firm commitment to purchase the asset at the end of its useful life; or there is an active market for the intangible asset |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Asset cost and net book value * Date the asset was available for use   **Data supporting management's assumptions (if applicable)**   * Legal or similar limits on the use of the asset * Past entity practice for asset replacement cycles * Market prices for similar assets |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate amortization are not appropriate/ reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Useful life for intangible assets is identified, reviewed and approved prior to processing * System calculates the amortization amount based on useful life entered * Review of intangible amortization schedule * Report of changes to intangible asset useful life is reviewed * Review of amortization methods * Management periodically reviews remaining useful lives of intangible assets |
| **Specific audit procedures available for documenting responses to assessed risks** | Test amortization expense – Intangible assets subject to amortization (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Intangible assets subject to amortization** | |
| **Accounting estimate** | **Carrying value of balances recognized in relation to service concession arrangements** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRIC 12 Service Concession Arrangements**  **SIC-29 Service Concession Arrangements: Disclosures** Consideration received by the operator for the construction or upgrade services as part of the service concession arrangements are to be accounted for either as a financial or intangible asset. A financial asset is recognized to the extent that the service concession arrangement provides for an unconditional contractual right to receive cash or another financial asset. An intangible asset is recognized to the extent that the service concession arrangement provides for a right (a licence) to charge users of the public service (does not have an unconditional right to receive cash). |
| **Details of the nature of related disclosures required by IFRS** | There are a number of disclosures required by **SIC-29 paragraphs 6 to 7** individually for each service concession arrangement for both the operator and grantor. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | The entity needs to apply the requirements of **IAS 32** and **IFRS 7** and **IFRS 9** to agreements recognized as financial assets.  The entity needs to apply the requirements of **IAS 38** to agreements recognized as intangible assets.  The method applied will depend on the nature of the asset recognized.  The operator shall account for operation services as well as for construction or upgrade services in accordance with **IFRS 15**. |
| **Commonly applicable assumptions** | * Discount rates |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Contractual terms and conditions (e.g., prices, performance standards) * Historical restoration cost information * Interest and inflation rates from reputable sources (e.g., governmental agencies, international financial data providers) * Currency exchange rates * Revenue and cost inflation projection, when using a nominal discount rate   **Data supporting management's assumptions (if applicable)**   * Beta measures * Risk-free rates * Equity risk premiums * Prices agreed in market transactions |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the carrying value of balances related to Service Concession Arrangements are not appropriate/ reasonable * Accounting by operators for public-to-private service concession arrangements may not be appropriate |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Accounting policies are reviewed for compliance with the applicable financial reporting framework |
| **Specific audit procedures available for documenting responses to assessed risks** | Consider implications of Service Concession Arrangements (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Accounts payable** | |
| **Accounting estimate** | **Present value of accounts payable** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 9 - Financial instruments**  **Paragraphs 4.2.1, 5.1.1, 4.3.3** - All financial liabilities are to be initially measured at fair value.  An entity shall classify all financial liabilities as subsequently measured at amortized cost, unless they are required to be measured at fair value through profit or loss (“FVTPL”) or an entity has opted to measure a liability at FVTPL.  If a financial liability is subsequently measured at amortized cost, the entity shall determine whether it contains an embedded derivative that is required to be separated and measured at FVTPL (with the host contract measured at amortized cost).  The amortized cost considers the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount of the financial liability and the maturity amount.  For short term accounts payables (e.g., many trade payables), the amount due may not be materially different from the amount required under IFRS 9 (such that management may choose to measure them at the amount due), depending on the facts and circumstances. |
| **Details of the nature of related disclosures required by IFRS** | **IFRS 7 paragraph 20 (b)** requires disclosures of total interest expense (calculated using the effective interest method) for financial liabilities that are not measured at fair value through profit or loss. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | Effective interest method |
| **Commonly applicable assumptions** | * Discount rates |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Invoiced amounts outstanding at the measurement date * Contractual terms and conditions (e.g., payment terms)   **Data supporting management's assumptions (if applicable)**   * Credit rating * Market rate of interest from reputable sources (e.g., governmental agencies, international financial data providers) |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Purchase and payables balances are not appropriately classified, presented or disclosed |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Review and approval of general ledger reconciliations |
| **Specific audit procedures available for documenting responses to assessed risks** | Test discounted present value of accounts payable (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Accruals, provisions and other liabilities** | |
| **Accounting estimate** | **Provisions** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 37 – Provisions, contingent liabilities and contingent assets**  **Paragraphs 36-52** - The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. (para. 36). Future events that may affect the amount required to settle the obligation shall be reflected in the provision where there is sufficient objective evidence that they will occur (para. 48).  IAS 37 explains how the requirements should be applied specifically when recognizing provisions for onerous contracts **(IAS 37.66)** and restructurings **(IAS 37.70-83)**, and clarifies that no provision should be recognized for future operating losses **(IAS 37.63)**. |
| **Details of the nature of related disclosures required by IFRS** | Various related disclosures required by **IAS 37.84 – 92,** including the carrying amount at the beginning and end of the period, movements in provisions during the period, a description of the nature of the obligation and the expected timing of outflows, an indication of uncertainties around the amount or timing of outflows, the major assumptions made about future events (if necessary) and the amount of any expected reimbursements (including the amount of any asset that has been recognized). |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | Under **IAS 37.36-41**, provisions are generally measured using one of the following methods:   * The single most likely outcome; or * A weighted average of all the possible outcomes (the ‘expected value’ method). This is likely to be the most appropriate method for a large population of similar claims, but can also be applied to a single obligation with various possible outcomes. |
| **Commonly applicable assumptions** | Assumptions used in the measurement of provisions will vary based on the nature and circumstances of the obligation. Examples of assumptions commonly used in specific circumstances are as follows:  **Asset retirement obligations (IAS 16.16)**   * Estimated timing and amount of future costs for dismantling property, plant and equipment * Estimated proceeds from selling of the components of property, plant and equipment that have been dismantled * Discount rate applied to estimated future costs   **Provisions associated with exit or disposal activities (including restructurings)**   * Anticipated amount and timing of rental income from sub-letting exited premises * Projected termination benefits to employees accounted for under IAS 19 for the purposes of a restructuring, including rates of uptake for voluntary leavers (see **‘**[**Liabilities for termination benefits**](#_Pension,_postretirement_and_3) ’) * Expected timing of termination of operations in a restructuring   **Provisions for products recalls (excluding returns or refunds in the scope of IFRS 15)**   * Expected proportion of customers who will seek a refund or exchange of goods * Estimated costs of scrapping or transporting recalled goods   **Provisions for warranty costs**   * Expected volumes of product return * Expected costs of repair for returned goods * Expected timings of returns, and whether they fall within the warranty period   **Other provisions**   * Costs expected to be paid to settle legal claims, and the assessed probabilities of different possible settlements |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**  **Asset retirement obligations (IAS 16.16)**   * Details of related assets driving estimates of dismantling and restoration costs (e.g., surface area of land used to calculate estimated * decontamination costs)   **Provisions associated with exit or disposal activities (including restructurings)**   * Employee salary information used in calculating termination benefits in a restructuring provision * Lease payment and term information used in calculation of onerous lease provision in respect of exited premises   **Provisions for warranty costs and products recalls**   * Historic sales volumes and prices used to calculate warranty and recall obligations   **Data supporting management’s assumptions**  **Asset retirement obligations**   * Cost estimates from third parties regarding potential costs of dismantling property, plant and equipment or site restoration   **Provisions associated with exit or disposal activities (including restructurings)**   * Correspondence with employees regarding termination negotiations (e.g., details of severance terms) * Analysis of costs and cost types included in and excluded from   **Provision calculations Provisions for products recalls (excluding returns or refunds in the scope of IFRS 15)**   * Historical customer behavior and uptake levels concerning requests for refund or replacement in a product recall * Historical costs of scrapping or disposing of recalled goods   **Provisions for warranty costs**   * Historical levels of sales returns used to develop assumptions in a warranty provision * Contractual terms relating to warranty obligations * Historical level of warranty claims and repair costs during the warranty period   **Other provisions**   * Cost estimates from construction contractors and other parties regarding potential costs to repair dilapidations and restore leased premises to original condition * Information quoted in correspondence with legal counsel used to develop assumptions of likely outflows for legal claims * Data concerning historical outcomes of legal claims |
| **Retrospective review procedures performed for risk assessment purposes** | * As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate accruals and provisions are not appropriate/ reasonable * Instances of non-compliance with laws and regulations may exist that have not been identified or provided for |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Management reviews and approves the accruals, provisions and other liabilities * Management monitors legal requirements and/or engages legal advisors to assist in monitoring legal requirements * Manual review of information obtained from reporting units to ensure completeness and accuracy of provisions * Management reviews and approves estimates related to provisions associated with exit or disposal activities |
| **Specific audit procedures available for documenting responses to assessed risks** | Obtain movement schedule and test provisions (CAS 540)  Obtain movement schedule and test provisions associated with exit or disposal activities (CAS 540)  Obtain movement schedule and test provisions for warranty costs (CAS 540)  Obtain movement schedule and test provision for recalled products (CAS 540)  Test asset retirement obligations liabilities (AROs) (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Accruals, provisions and other liabilities** | |
| **Accounting estimate** | **Contingent liabilities and assets** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 37 – Provisions, contingent liabilities and contingent assets**  **Paragraphs 27 to 52** - A contingent liability is:   * A possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or * A present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.   A contingent asset is a possible asset that arises from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.  Contingent liabilities and assets are not recognized. A contingent liability is disclosed unless the possibility of an outflow is remote. A contingent asset is only disclosed if an inflow is probable. |
| **Details of the nature of related disclosures required by IFRS** | An entity shall disclose for each class of contingent liability and contingent asset, an estimate of their financial effect **(IAS 37 paragraphs 86 and 89)**, being:   * For contingent liabilities the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and * ·For contingent assets, the best estimate of the probable inflow of economic benefits at the end of the reporting period. **IAS 37.90** emphasizes that it is important that disclosures relating to contingent assets avoid giving misleading indications of the likelihood of income arising. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | Contingent liabilities and assets are generally estimated using:   * The single most likely outcome; or * A weighted average of all the possible outcomes (the ‘expected value’ method). This is likely to be the most appropriate method for a large population of similar claims, but can also be applied to a single obligation with various possible outcomes. |
| **Commonly applicable assumptions** | Assumptions used in the measurement of contingent liabilities and assets will vary based on the nature and circumstances of the obligation. Examples of assumptions commonly used in specific circumstances are as follows:  **Asset retirement obligations (IAS 16.16)**   * Estimated timing and amount of future costs for dismantling property, plant and equipment * Estimated proceeds from selling of the components of property, plant and equipment the have been dismantled * Discount rate applied to estimated future costs   **Contingent liabilities associated with exit or disposal activities (including restructurings)**   * Anticipated amount and timing of rental income from sub-letting exited premises * Projected termination benefits to employees accounted for under IAS 19 for the purposes of a restructuring, including rates of uptake for voluntary leavers (see ‘ Liabilities for termination benefits ’) * Expected timing of termination of operations in a restructuring   **Other contingent liabilities**   * Costs expected to be paid to settle legal claims, and the assessed probabilities of different possible settlements |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**  **Asset retirement obligations (IAS 16.16)**   * Details of related assets driving estimates of dismantling and restoration costs (e.g., surface area of land used to calculate estimated * decontamination costs)   **Contingent liabilities associated with exit or disposal activities (including restructurings)**   * Employee salary information used in calculating termination benefits in a restructuring provision * Lease payment and term information used in calculation of onerous lease provision in respect of exited premises   **Data supporting management’s assumptions**  **Asset retirement obligations**   * Cost estimates from third parties regarding potential costs of dismantling property, plant and equipment or site restoration   **Contingent liabilities associated with exit or disposal activities (including restructurings)**   * Correspondence with employees regarding termination negotiations (e.g., details of severance terms) * Analysis of costs and cost types included in and excluded from provision calculations   **Other contingent liabilities**   * Cost estimates from construction contractors and other parties regarding potential costs to repair dilapidations and restore leased premises to original condition * Information quoted in correspondence with legal counsel used to develop assumptions of likely outflows for legal claims * Data concerning historical outcomes of legal claims |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the expected inflow or outflow of economic benefits related to contingent assets or liabilities are not appropriate/ reasonable * Contingent liabilities and assets are not appropriately classified, presented or disclosed * Instances of non-compliance with laws and regulations may exist that have not been identified or provided for |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Management reviews and approves the accruals, provisions and other liabilities * Management monitors legal requirements and/or engages legal advisors to assist in monitoring legal requirements * Manual review of information obtained from reporting units to ensure completeness and accuracy of accruals |
| **Specific audit procedures available for documenting responses to assessed risks** | Test contingent liabilities (CAS 540)  Test contingent assets (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Income taxes** | |
| **Accounting estimate** | **Current and deferred taxes balances subject to uncertain tax treatments** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRIC 23 - Uncertainty over income tax treatments**  **Paragraphs 9 to 11** - It is necessary for management to consider whether it is probable that a taxation authority will accept an uncertain tax treatment.  If management concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings.  If, however, management concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. |
| **Details of the nature of related disclosures required by IFRS** | IFRIC 23 **paragraphs A4-A5** highlights various disclosure requirements in other standards (**IAS 1** and **IAS 12**) under which disclosures related to uncertainty over income tax treatments may be required. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | IFRIC 23 requires that for each uncertain tax treatment, the effect of uncertainty is to be reflected by using either of the following methods, depending on which is expected to better predict the resolution of the uncertainty:   * The most likely amount, or * The expected value - the sum of the probability-weighted amounts in a range of possible outcomes |
| **Commonly applicable assumptions** | * Applicable assumptions will differ based on the nature of each uncertain tax treatment, for example assumptions related to the characteristics of an item of expense for which an entity intends to claim a deduction, or assumptions related to an item of income that an entity does not intend to include in a tax filing * Weighted probabilities assigned to each possible outcome |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Historical and current tax accounting data * Enacted or substantially enacted tax rates for each jurisdiction   **Data supporting management's assumptions (if applicable)**   * Tax rules and regulations legislation characteristics for each jurisdiction (e.g., permissibility of certain costs as deductions from taxable income) * Correspondence with, or communications issued by, taxation authorities related to the uncertain tax treatment * Outcomes of legal or regulatory rulings on similar uncertain tax treatments |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate impact of uncertain tax treatments on current and deferred taxes are not appropriate/ reasonable * Indicators of uncertain tax positions, or changes in the carrying value of uncertain tax positions estimates, are not identified and accurately recorded |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Uncertain tax positions are reviewed |
| **Specific audit procedures available for documenting responses to assessed risks** | Assess impact of uncertain tax treatments on current and deferred taxes (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Income taxes** | |
| **Accounting estimate** | **Carrying value of deferred tax assets** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 12 - Income taxes**  **Paragraph 24** - A deferred tax asset is to be recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that (a) is not a business combination; and (b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).  Detailed guidance on the recognition and measurement of deferred tax assets is included in paragraphs **27-31** and **34-36**. |
| **Details of the nature of related disclosures required by IFRS** | IAS 12 requires various disclosures related to deferred tax assets, including **paragraph 82** which requires disclosure of the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:  (a) the utilization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and  (b) the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | Under IAS 12 an entity typically prepares a detailed analysis of the pattern and timing of the reversals of existing temporary differences, including considering objective evidence of the entity’s future profitability (using enacted or substantively enacted tax rate). |
| **Commonly applicable assumptions** | * Projected future taxable profits, including revenues and assumed revenue growth rates, projected margins, capital expenditures and working capital requirements * Assumptions related to tax planning opportunities * Assumptions related to the timing (by year) of future reversal of both taxable temporary differences and deductible temporary differences |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Historical and current tax accounting data, including track record of taxable profits and losses and cumulative deductible temporary differences * Enacted or substantively enacted tax rates for each jurisdiction * Historical cost financial information for periods prior to projection period * Interest and inflation rates from reputable sources (e.g., governmental agencies, international financial data providers) * Historical prices or other terms included in contracts (e.g., contractually allowed inflationary increases) * Currency exchange rates during the projection period   **Data supporting management's assumptions (if applicable)**   * Tax rules and regulations for each jurisdiction (e.g., time limits on carry-forward of tax losses) * Correspondence with taxation authorities related to the uncertain tax treatments * Management’s approved budget |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate deferred taxes are not appropriate/ reasonable * Deferred taxes are not accurately measured, completely recorded or not appropriately valued * Deferred tax assets are not realizable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Review and approval of valuation of deferred tax assets * Determination of the income tax rate applied in calculating deferred taxes is reviewed * Deferred tax reconciliation is reviewed and approved |
| **Specific audit procedures available for documenting responses to assessed risks** | Assess recognition of deferred tax assets (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Lessee accounting - initial measurement and modifications** | |
| **Accounting estimate** | **Lease liabilities and right-of-use assets** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 16 - Leases**  **Paragraphs 26, 36** - Lease liability is to be measured at the present value of outstanding lease payments, discounted using either the interest rate implicit in the lease or the entity’s incremental borrowing rate if rate implicit in the lease cannot be readily determined.  Lease payments include fixed payments (including in substance fixed payments); variable lease payment that depend on an index or rate (initially measured at the index or rate at the commencement date); amounts expected to be paid under residual value guarantees; and the exercise price of purchase options that the lessee is reasonably certain to exercise.  **Paragraphs 23, 29** - Right-of-use asset is to be initially measured at cost and is to comprise:   * the amount of initial measurement of the lease liability; * lease payments made at or before commencement date, less lease incentives received; * initial direct costs incurred by the lessee; and * an estimate of costs for dismantling, removal or restoration of the asset(s).   (Note that **paragraphs 39-46** include requirements relating to remeasurements and modifications. Assumptions and data listed in this practice aid as relevant to the initial measurement of the lease liability and right-of-use asset may also be relevant to estimates occurring in the remeasurement of lease liabilities and right-of-use assets, or accounting for lease modifications). |
| **Details of the nature of related disclosures required by IFRS** | **IFRS 16 paragraphs 52-60** require various disclosures related to lease liabilities and right-of-use assets. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | In calculating the present value of minimum lease payments, entities use a model that includes the following elements:   * Fixed and variable lease payments * Lease term (that includes extension options that are reasonably certain to be exercised and termination options that are reasonably certain not to be exercised) * Estimated residual value guarantees * Any anticipated penalties for lease termination * Exercise price of purchase options (if exercise reasonably certain) * Discount rate (interest rate implicit in the lease or incremental borrowing rate) * Where the contract contains non-lease components, consideration is to be allocated to the lease component on the basis of the stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components |
| **Commonly applicable assumptions** | * Assumptions made in establishing whether extension or termination options are reasonably certain to be / not to be exercised, taking into account the broader economics of the contract as well as penalty payments f (e.g., expected level of significant leasehold improvements made over the life of the lease, or expected negotiation, relocation or restoration costs associated with the termination of the lease) * Discount rate (interest rate implicit in the lease or incremental borrowing rate) * Amounts expected to be payable under residual guarantees * Assumptions used to determine non-observable stand-alone selling price at contract inception of lease and non-lease components * Estimated costs of dismantling or restoration * Entity’s incremental borrowing rate, adjusted to reflect lessee would have to pay to borrow an asset with a similar value over a similar term in a similar economic environment, with a similar security |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Contractual terms and conditions, including:   – details of lease period, including periods covered by extension and termination options  – fixed and variable lease payment terms  – index or rates used to measure variable lease payments  – lease incentives receivable  – exercise price of purchase options  – lease termination penalties and broader economics of the contract  **Data supporting management’s assumptions (if applicable)**   * Termination and extension terms included in lease contract * Market data or other data used to calculate amounts payable under residual guarantees * Market or other data used to evaluate likelihood of exercising extension, termination or purchase options |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the relative standalone price when allocating consideration to lease components are not appropriate * Lease payments used to calculate the present value of the sum of the lease payments are not complete and accurate * Residual value guarantees used to calculate the present value of the sum of the lease payments are not complete and accurate * The discount rate used to calculate the present value of the sum of lease payments is not appropriate * The present value of the sum of the lease payments is not accurate and based on commencement date * Assumptions made in satisfying IFRS 16 disclosure requirements are not reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Initial measurement of lease liabilities and right-of-use assets are reviewed * Estimates of dismantling, removing and restoration costs are reviewed * Interest rate used to discount lease payments in lease liability calculation is reviewed * Lease modifications are reviewed and approved by lessee |
| **Specific audit procedures available for documenting responses to assessed risks** | Test initial recognition and measurement—Lessee accounting (CAS 540)  Test subsequent measurement—Lessee accounting (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Pension, postretirement and other benefits** | |
| **Accounting estimate** | **Present value of defined benefit obligations** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 19 – Employee benefits**  **Paragraph 8** - The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods. |
| **Details of the nature of related disclosures required by IFRS** | There are a number of disclosures required **by IAS 19 paragraphs 135-150**, including:   * Significant actuarial assumptions used to determine the present value of the defined benefit obligation. * A sensitivity analysis for each significant actuarial assumption. * Methods and assumptions used in preparing the sensitivity analysis, the limitations in those methods and assumptions and changes from the previous period. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | **IAS 19 paragraph 67** requires that the projected unit credit method be used to determine the present value of defined benefit obligations, the related current service cost and, where applicable, past service cost.  **Paragraph 70** requires that, for determining the present value of defined benefit obligations and the related current and past service cost, the benefit be attributed to periods of service under the plan’s benefit formula, or on a straight-line basis if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years.  **Paragraphs 80, 81, 83 and 87** specify methods to be used to determine financial assumptions, mortality assumptions, discount rate and the overall measurement basis for the defined benefit obligation. |
| **Commonly applicable assumptions** | Demographic assumptions include:   * Mortality * Rates of employee turnover, disability and early retirement * The proportion of plan members with dependents who will be eligible for benefits * The proportion of plan members who will select each form of payment option available under the plan terms * Claim rates under medical plans   Financial assumptions include:   * The discount rate used to discount the obligation and the asset ceiling (where a defined benefit plan is in surplus) * Benefit cost levels, excluding any cost of the benefits to be met by employees, and future salary * In the case of medical benefits, future medical costs, including claim handling costs * Taxes payable by the plan on contributions relating to service before the reporting date or on benefits resulting from that service |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Employee salaries and pension contribution information * Employee census data, including dates of birth and dates of employment with the entity * Pension benefit terms defined in employee contracts * Data supporting benefits paid in the period   **Data supporting management's assumptions (if applicable)**   * Data used in developing discount rate (e.g., beta measures, risk-free rates, equity risk premiums) * Data included in actuarial report as a basis for selection of significant assumptions (e.g., quoted life expectancy cohort tables used in selecting mortality assumptions) and development of sensitivity analysis * Macroeconomic data including inflation and interest rates from reputable sources (e.g., governmental agencies, international financial data providers) |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used in actuarial valuations are not appropriate/ reasonable * Key benefits data for participants is not completely or accurately input in benefits standing data |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Review and analysis of participant data provided to actuary * Manual review of pension plan assumptions in the actuarial report * Actuarial gains and losses are reviewed for appropriate accounting treatment |
| **Specific audit procedures available for documenting responses to assessed risks** | Test present value of defined benefit obligations (CAS 540)  Test the employee data used by actuary |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Pension, postretirement and other benefits** | |
| **Accounting estimate** | **Liabilities for termination benefits** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 19 – Employee benefits**  **Paragraphs 165-170**  A liability and expense are to be recognized for termination benefits at the earlier of the following dates:  When the entity can no longer withdraw the offer of those benefits; and  When the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.  Termination benefits are to be measured in accordance with the nature of the employee benefit. Termination benefits that are an enhancement to post-employment benefits are accounted for as post-employment benefits. |
| **Details of the nature of related disclosures required by IFRS** | No specific disclosure requirements under IFRS, although **IAS 1** requires disclosure of employee benefits expense and **IAS 24** requires disclosure of termination benefits. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | The method employed will depend on the characteristics of the termination benefit.  If expected to be settled wholly before twelve months after the end of the annual reporting period in which the termination benefit is recognized, termination benefits are to be recognized as short-term employee benefits in accordance with the requirements of **IAS 19 paragraph 11**.  Otherwise, termination benefits are to be recognized as other long-term employee benefits, in accordance with the requirements of **IAS 19 paragraphs 155-166.** |
| **Commonly applicable assumptions** | Assumptions will depend on the specific termination benefit, but might include:   * Rates of uptake for offers of voluntary severance * Discount rate used to compute provision for voluntary severance, where the impact of discounting is significant * Assumptions related to pension enhancements offered in return for termination of employment (sometimes audited as part of auditing the total present value of defined benefit obligations) |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Employee salary and other data used in calculating provision for voluntary severance * Census or demographic data used to calculate pension enhancements   **Data supporting management's assumptions (if applicable)**   * Correspondence with employees regarding termination negotiations (e.g., details of severance terms) * Data used in developing discount rate (e.g., beta measures, risk-free rates, equity risk premiums) |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate termination benefits (including one-time/once-off termination benefits) are not appropriate/ reasonable * Termination benefits (including one-time/once-off termination benefits) are not authorized, did not occur, or were not identified and/or completely recorded |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Review other post-employment liabilities calculation * Expected benefit payments are compared to actual benefit payments |
| **Specific audit procedures available for documenting responses to assessed risks** | Obtain detailed analysis and test liabilities for termination benefits (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Pension, postretirement and other benefits** | |
| **Accounting estimate** | **Fair value of defined benefit plan assets** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 19 – Employee benefits**  **Paragraphs 113-115** - Plan assets are measured at fair value in accordance with IFRS 13.  Plan assets exclude unpaid contributions due from the reporting entity to the fund, as well as non-transferable financial instruments issued by the entity and held by the fund. Plan assets are reduced by any liabilities of the fund that do not relate to employee benefits, for example, trade and other payables and liabilities resulting from derivative financial instruments.  Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of those insurance policies is deemed to be the present value of the related obligations (subject to any reduction required if the amounts receivable under the insurance policies are not recoverable in full). |
| **Details of the nature of related disclosures required by IFRS** | There are a number of disclosures required by IAS 19 **paragraphs 135-150**, including:   * Disaggregation of plan assets into classes that distinguish their nature and risks, divided between those that have a quoted market price in an active market and those that do not. * The entity’s own transferable financial instruments held as plan assets, and the fair value of plan assets that are property occupied by, or other assets used by the entity. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | **IFRS 13 paragraph 62** specifies three types of valuation techniques (and criteria for selection of the appropriate technique for each type of asset or liability):   * Market approach * Income approach * Cost approach   When an entity has a surplus in a defined benefit plan, the net defined benefit asset is measured at the lower of the surplus and the asset ceiling (determined using the discount rate used in the measurement of the present value of the defined benefit obligation). |
| **Commonly applicable assumptions** | Assumptions will differ based on the nature and characteristics of the asset, but may include:   * Projected future cash flows * Discount rates * Assumptions to determine credit spread/risk * Expectations about future price volatility * Assumptions related to the valuation of comparable entities (e.g., enterprise value multiples) used to estimate fair value * Taxation-related assumptions |
| **Commonly applicable data types** | Data used will differ based on the type of the asset but may include:  **Underlying data to which management applies assumptions**   * Contractual terms and conditions of the instrument * Credit ratings * Currency exchange rates * Active market exchange data from reputable sources (level 1 inputs) * Market data related to similar transactions (level 2 inputs)   **Data supporting management's assumptions (if applicable)**   * Beta measures * Risk-free rates * Equity risk premiums * Macroeconomic data including Interest and inflation rates from reputable sources (e.g., governmental agencies, international financial data providers) |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the value of pension plan assets are not appropriate/ reasonable * Pension plan assets are not completely and accurately recorded * Actuarial gains and losses on pension assets are not appropriately accounted for, presented, or disclosed |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Pension plan investments are reviewed for reasonableness * Management reviews pension plan investment activity to ensure compliance with pension plan investment policies * Management reviews third-party valuations of pension plan assets |
| **Specific audit procedures available for documenting responses to assessed risks** | Test fair value of defined benefit plan assets (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Share capital and other equity accounts** | |
| **Accounting estimate** | **Fair value of assets to be distributed as a non-cash dividend to owners** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRIC 17 - Distributions of non-cash assets to owners**  **Paragraphs 11 to 12** - Liabilities to distribute non-cash assets as a dividend to owners are to be measured at the fair value of the assets to be distributed.  If an entity gives its owners a choice of receiving either a non-cash asset or a cash alternative, the entity shall estimate the dividend payable by considering both the fair value of each alternative and the associated probability of owners selecting each alternative distribution. |
| **Details of the nature of related disclosures required by IFRS** | Several presentation and disclosure requirements in **IFRIC 17 paragraphs 15-17**, including the nature, carrying amount and fair value of the asset to be distributed, if after the end of a reporting period but before the financial statements are authorized for issue, an entity declares a dividend to distribute a non-cash asset.  Relevant fair disclosures of IFRS 13 are also required to the extent applicable based on the nature of the asset distributed. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | **IFRS 13 paragraph 62** specifies 3 types of valuation technique (and criteria for selecting the appropriate technique for each type of asset or liability):   * Market approach * Income approach * Cost approach |
| **Commonly applicable assumptions** | Assumptions will differ based on the type of non-cash asset distributed but may include:   * Third party valuation expert reports on value of assets * Assumptions used in discounted cash flow models such as projected future cash flows, (including revenues and assumed revenue growth rates, projected margins, capital expenditures and working capital requirements) * Discount rates * Taxation-related assumptions |
| **Commonly applicable data types** | Data used will differ based on the type of non-cash asset distributed but may include:  **Underlying data to which management applies assumptions**   * Contractual terms of dividend declaration * Currency exchange rates * Macroeconomic data including Interest and inflation rates from reputable sources (e.g., governmental agencies, international financial data providers) * Active market exchange data from reputable sources (e.g., level 1 inputs) * Market data related to similar transactions (e.g., level 2 inputs)   **Data supporting management's assumptions (if applicable)**   * Beta measures * Risk-free rates * Equity risk premiums |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate fair value of assets to be distributed as a non-cash dividend to owners are not appropriate/ reasonable * Dividend transactions and balances are not authorized, complete, accurate or recorded in correct period |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Approval of dividends declaration |
| **Specific audit procedures available for documenting responses to assessed risks** | Test dividends paid and payable (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Revenue from contracts with customers including contract assets and liabilities** | |
| **Accounting estimate** | **Measuring progress towards complete satisfaction of a performance obligation to recognize revenue in respect of performance obligations satisfied over time** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 15 - Revenue from contracts with customers**  **Paragraphs 39-45** - For each performance obligation satisfied over time revenue is to be recognized over time by measuring the progress towards complete satisfaction of that performance obligation. The objective when measuring progress is to depict an entity’s performance in transferring control of goods or services promised to a customer (i.e., the satisfaction of an entity’s performance obligation). |
| **Details of the nature of related disclosures required by IFRS** | Disclosures required by **IFRS 15 paragraph 124** related to methods used to recognize revenue and an explanation of why the methods used provide a faithful depiction of the transfer of goods or services. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | **IFRS 15 para 41** indicates that appropriate methods for measuring progress include output methods and input methods.  Output methods recognize revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract and include methods such as surveys of performance completed to date, appraisals of results achieved, milestones reached, time elapsed and units produced or units delivered.  Input methods involve recognizing revenue on the basis of the entity’s efforts or inputs to the satisfaction of a performance obligation. Inputs used may include resources consumed, labor hours expended, costs incurred, time elapsed or machine hours used, relative to the total expected inputs to the satisfaction of the performance obligation. **[IFRS 15 paras B14-B19]** |
| **Commonly applicable assumptions** | * Assumptions related outputs to estimate the progress towards complete satisfaction of the performance obligation * Projected total inputs to be incurred in satisfying the performance obligation |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Contractual terms and conditions including the transaction price and variable consideration arrangements   **Data supporting management's assumptions (if applicable)**   * Actual cost of resources consumed, labor hours expended, time elapsed or machine hours used to satisfy the performance obligation * Actual data for the output methods such as number and results of surveys, appraisals |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate revenue in an over time model are not appropriate/ reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Recognize revenue - Calculations of revenue recognized over time are prepared and reviewed * Recognize revenue - Management reviews forecasts used to estimate progress toward satisfying a performance obligation |
| **Specific audit procedures available for documenting responses to assessed risks** | Test revenue transactions (Steps 1 to 5) (CAS 540)  Test revenue transactions (Steps 1 to 5) - Single performance obligation satisfied at a point in time - [Revenue type] (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Revenue from contracts with customers including contract assets and liabilities** | |
| **Accounting estimate** | **Determining the transaction price - Revenue recognized in respect of contracts with non-standard consideration (including related contract liabilities)** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 15 - Revenue from contracts with customers**  **Paragraphs 47-72** - The nature, timing and amount of consideration promised by a customer affect the estimate of the transaction price. When determining the transaction price, an entity shall consider the effects of all of the following:   * variable consideration * constraining estimates of variable consideration * the existence of a significant financing component in the contract * non-cash consideration * consideration payable to a customer |
| **Details of the nature of related disclosures required by IFRS** | Disclosures required by **IFRS 15 paragraph 126** related to methods, inputs and assumptions used for determining the transaction price. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods**  *Note – Depending on the nature of the non-cash consideration received refer to other related accounting estimates in the Practice Aid when estimating the fair value of the consideration* | IFRS 15 prescribes the following methods to determine the transaction price:  **Variable consideration:**   * The expected value * The most likely amount   **Significant financing component:**   * The promised amount of consideration shall be adjusted for the effects of the time value of money if the timing of payments agreed to by the parties to the contract provides the customer or the entity with the significant benefit of financing the transfer of goods or services to the customer   **Non-cash consideration:**   * Measured at fair value in accordance with IFRS 13 - Fair value measurement * Reference to the stand-alone selling price of the goods or services promised to the customer when fair value cannot be measured reliably   **Consideration payable to a customer:**   * Methods used to estimate variable consideration (expected value or most likely amount) when the consideration includes a variable amount   **IFRS 13 paragraph 62** specifies 3 types of valuation techniques (and criteria for selection of the appropriate technique for each type of asset or liability):   * Market approach * Income approach * Cost approach |
| **Commonly applicable assumptions** | * Assumptions used in determining the transaction price, e.g., assessment of the expected volume-based discounts, rebates, and performance bonuses, assessment of the probability of refunds, credits, and penalties assessment of breakage in incentive programs, etc * Assumptions used in assessing whether the estimate of variable consideration is constrained * Discount rate in determining the time value of money to adjust the promised amount of consideration if significant financing component exists |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Contractual terms and conditions including the transaction price and variable consideration arrangements * Outstanding invoiced amounts at the measurement date   **Data supporting management's assumptions (if applicable)**   * Observable standalone selling prices at contract inception of similar goods or services * Market conditions * Entity-specific factors and information about the customer or class of customers * Market interest rates available to entity * Credit ratings * Data regarding any collateral or security provided by the customer for a significant financing component |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the variable consideration are not appropriate/ reasonable * Calculations supporting the estimate of the variable consideration are not mathematically accurate * A constraint on variable consideration is not properly recognized or identified in determining the overall transaction price * A significant financing component that exists in an arrangement is not identified * Method (including any model), significant assumptions and data used to estimate royalty revenues are not appropriate/ reasonable * Method (including any model), significant assumptions and data used to estimate the transaction price adjustment and the accruals for customer returns, discounts, rebates and other allowances, or other commitments and contingencies are not appropriate/ reasonable (contract liabilities) * Calculations supporting the transaction price adjustment and accruals for customer returns, discounts, rebates and other allowances, or other commitments and contingencies are not mathematically accurate (contract liabilities) |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Determine transaction price - Initial estimates of variable consideration are reviewed * Determine transaction price - Significant financing components are reviewed * Determine transaction price - Consideration paid to a customer is reviewed * License revenue - Accounting model applied to licenses is reviewed and approved) * Contract liabilities - Management reviews and approves rebates allowance * Contract liabilities - Management review of customer incentive program balances * Contract liabilities - Deferred revenue balances are reviewed |
| **Specific audit procedures available for documenting responses to assessed risks** | Test revenue transactions (Steps 1 to 5) (CAS 540)  Test revenue transactions (Steps 1 to 5)—Single performance obligation satisfied at a point in time—[Revenue type] (CAS 540)  Test revenue transactions (Steps 1 to 5) - Single performance obligation (or a series of distinct goods or services) satisfied over time - [Revenue type] (CAS 540)  Test revenue transactions from royalties (CAS 540)  Test contract liabilities—Variable consideration balances (e.g., discounts, rebates, right to return) (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Revenue from contracts with customers including contract assets and liabilities** | |
| **Accounting estimate** | **Allocating the transaction price to performance obligations - Revenue recognized in respect of contracts with multiple performance obligations (or a series of distinct goods or services identified as a single performance obligation where the promised consideration includes variable amounts)** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 15 - Revenue from contracts with customers**  **Paragraphs 73-86** - When the contract contains multiple performance obligations an entity needs to allocate the transaction price to each performance obligation (or distinct good or service) in a manner that the amount allocated depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. |
| **Details of the nature of related disclosures required by IFRS** | Disclosures required by **IFRS 15 paragraph 126** related to methods, inputs and assumptions used for determining the transaction price, and allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | IFRS 15 requires use of the relative stand-alone selling price method to allocate the transaction price with exceptions provided for:   * Allocating discounts (proportionate method is to be used for all performance obligations except when there is observable evidence that the entire discount relates to only one or more, but not all, performance obligations in a contract), and * Allocating consideration that includes variable amounts (allocation to entire contract or to a specific part of the contract depending on the terms of the contract)   IFRS 15 identifies suitable methods for estimating the stand-alone selling price of a good or service that include, but are not limited to (combination of methods is also permitted):   * Adjusted market assessment approach * Expected cost plus a margin approach * Residual approach |
| **Commonly applicable assumptions** | * Assumptions used to determine non-observable stand-alone selling price of the distinct good or service at contract inception |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Contractual terms and conditions including the transaction price and variable consideration arrangements   **Data supporting management's assumptions (if applicable)**   * Observable stand-alone selling price at contract inception of similar goods or services adjusted appropriately for market conditions and entity-specific factors and information about the customer or class of customers |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the standalone selling price are not appropriate/ reasonable * Allocation of transaction price to one or more performance obligations is inappropriate or not accurate * Transaction prices in excess of the sum of standalone selling prices are not identified and appropriately accounted for * Assumptions made in satisfying IFRS 15 disclosure requirements are not reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Allocate transaction price to performance obligations - The allocation of transaction price to performance obligations is reviewed * Allocate transaction price to performance obligations - Estimates of standalone selling price are reviewed |
| **Specific audit procedures available for documenting responses to assessed risks** | Test stand-alone selling price (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Revenue from contracts with customers including contract assets and liabilities** | |
| **Accounting estimate** | **Carrying value of costs incurred to obtain and fulfill contracts** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 15 - Revenue from contracts with customers**  **Paragraphs 91-104** - An asset is to be recognized for the following when certain recognition criteria are met:   * The incremental costs of obtaining a contract with a customer * Costs incurred in fulfilling a contract (other than those within the scope of other standards)   Note - management estimation in this area may be required in a number of areas including:   * Allocation of costs to contracts * Amortization periods * Recoverability of costs |
| **Details of the nature of related disclosures required by IFRS** | Disclosures required by **IFRS 15 paragraph 127** related to judgments and methods related to assets recognized from the costs to obtain or fulfill a contract with a customer. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | The method used to recognize and measure contract costs may differ depending on the nature of the expenditure.  An asset recognized from the costs to obtain or fulfill a contract with a customer is to be amortized on a systematic basis consistent with the transfer to the customer.  When an impairment loss is to be recognized the entity applies the related requirements of the standard under which the asset was initially recognized (e.g., IAS 2). For the remaining assets (for which another standard does not apply) **IAS 36 Impairment of Assets** is to be applied. |
| **Commonly applicable assumptions** | * Allocation of costs that relate directly to the contract or to contract activities other than direct labor or materials * Amortization periods * Assumptions related to the recoverability of costs such as projected future cash flows generated by the contract with the customer |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Aggregate costs by type and appropriate department code or cost center * Asset cost and net book value   **Data supporting management's assumptions (if applicable)**   * Contractual terms of the contracts with the customers * Historical margins generated from similar contracts |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate contract costs to complete are not appropriate/ reasonable * Costs unrelated to obtaining or fulfilling a contract are inappropriately capitalized * Determination of amortization period and method for deferred contract costs is not appropriate * Indicators of change in the carrying value of the asset are not appropriately and timely identified – Deferred contract costs * Impairment expense is not complete, accurate, recorded in the correct period, or is recorded in duplicate – Deferred contract costs |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Capitalization of contract costs is reviewed * Amortization of capitalized contracts costs is reviewed * Capitalized contract costs are evaluated for impairment |
| **Specific audit procedures available for documenting responses to assessed risks** | Test contract assets - Carrying value of costs incurred to obtain and fulfill contracts and other deferred contract costs (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Salaries/payroll expense** | |
| **Accounting estimate** | **Liabilities for expected costs from profit-sharing and bonus plans** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 19 - Employee benefits**  **Paragraphs 19 to 24** - Liabilities for the expected costs of profit-sharing and bonus payments are to be recognized when, and only when:  a. The entity has a present legal or constructive obligation to make such payments as a result of past events; and  b. A reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments. |
| **Details of the nature of related disclosures required by IFRS** | No specific disclosure requirements under IFRS, although **IAS 1** requires disclosure of employee benefits expense and **IAS 24** requires disclosure of short-term employee benefits. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | IAS 19 does not prescribe specific methods for measuring expected cost of profit-sharing and bonus payments. The model selected will depend on the terms of the entity's profit-sharing and bonus plans and may include, percentage of profits, multiple of employees’ salaries or percentage of employees’ salaries. |
| **Commonly applicable assumptions** | * Proportion of salaries expected to be paid * Employee turnover rates * Assumptions related to forfeiture of bonus entitlement for employees leaving the entity's employment |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Contractual terms and conditions for profit-sharing and bonus arrangements * Details of employees entitled to bonus benefits * Entity’s financial and non-financial performance data * Employee salary data   **Data supporting management's assumptions (if applicable)**   * Historical bonus payment data * Historical employee turnover data * Management’s approved budget (e.g., as basis for evaluating the likelihood of achievements of goals) |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate bonuses, commissions and other incentives are not appropriate/ reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Manual review of bonuses and commissions to ensure completeness and accuracy |
| **Specific audit procedures available for documenting responses to assessed risks** | Test liabilities for expected costs from profit-sharing and bonus plans (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Salaries/payroll expense** | |
| **Accounting estimate** | **Liabilities for expected costs for accumulating short-term paid absences** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IAS 19 - Employee benefits**  **Paragraphs 13 to 18** - The liabilities for accumulating short-term paid absences in the form of paid absences is to be recognized:   * In the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; or * In the case of non-accumulating paid absences, when the absences occur. |
| **Details of the nature of related disclosures required by IFRS** | No specific disclosure requirements under IFRS, although **IAS 1** requires disclosure of employee benefits expense and **IAS 24** requires disclosure of short-term employee benefits. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | IAS 19 requires the expected cost of accumulating paid absences to be measured as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period (i.e., the additional payments that are expected to arise solely from the fact that the benefit accumulates). |
| **Commonly applicable assumptions** | * Assumptions relating to non-vesting entitlement left unused by employees leaving the entity’s employment * Expected employee turnover rate * Expected future remuneration |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Specific employees entitled to accumulating right of absence * Hours or days of paid absences accrued at period end   **Data supporting management's assumptions (if applicable)**   * Historical remuneration information * Historical proportion of non-vesting entitlement left unused by employees leaving the entity’s employment |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the vacation accrual are not appropriate/ reasonable |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Manual review and approval of liabilities for accumulating short-term paid absences |
| **Specific audit procedures available for documenting responses to assessed risks** | Test liabilities for expected costs for accumulating short-term paid absences (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Share-based compensation expense** | |
| **Accounting estimate** | **Share-based payment expense** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 2 -Share-based payment**  **Paragraph 10, 30** - Goods or services received in connection with a share-based payment transaction and the corresponding increase in equity or liability are to be measured at the fair value of the goods or services received.  Fair value is defined in IFRS 2 as “the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged between knowledgeable, willing parties in an arm’s length transaction”. The measurement of share-based payment transactions is outside the scope of IFRS 13. |
| **Details of the nature of related disclosures required by IFRS** | There are a number of disclosures required by **IFRS 2 paragraphs 44 to 52**, including a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g., whether in cash or equity). |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | IFRS 2 requires the fair value of goods or services received by an entity to be measurable directly (‘direct method’). If the fair value cannot be measured reliably, the value of the goods and services is measured by reference to the fair value of the equity instruments granted as consideration (the ‘indirect method’).  The most widely used model for valuing options with simple vesting terms is the Black-Scholes formula. Other common models used include the binomial model and the Monte-Carlo simulation.  Any market vesting conditions and non-vesting conditions associated with the awards need to be taken into account when determining the grant date fair value of the award.  In determining the share-based payment expense for each period (i.e., in estimating the number of equity instruments expected to vest), it is necessary to take into account any service or non-market performance vesting conditions. |
| **Commonly applicable assumptions** | * Assumptions related to the nature of the good or service received (direct method) * Assumptions related to fair value of awards (indirect method):   – Expected life of options  – Expected volatility of the underlying share price  – Expected dividends on the underlying shares  – Risk-free interest rate for the expected life of the option   * Assumptions related to specific market performance vesting conditions and non-vesting conditions * Assumptions related to achievement of service or non-market performance vesting conditions |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Contractual terms of share-based payment arrangements, including exercise prices and vesting period and conditions * Analysis of number, timing and type of grants * Market prices of underlying shares at grant date * Risk-free interest rates from reputable sources (e.g., governmental agencies, international financial data providers)   **Data supporting management's assumptions (if applicable)**   * Historical market data (level 1 or level 2) for the period used to develop volatility assumptions * Historic dividend patterns * Employee turnover data * Historic award forfeiture rates |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used for initial and/or subsequent measurement of share based payment compensation expense are not appropriate/ reasonable * Fair value of goods received in share based compensation that qualify for recognition is not adequately measured * Awards service and performance conditions are not appropriately accounted for |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Review of the inputs and methodology of the options pricing model * Management reviews awards for performance and/or service-based grant conditions |
| **Specific audit procedures available for documenting responses to assessed risks** | Test share-based compensation expense (CAS 540)  Test fair value of awards measured using the fair value of goods acquired or services received (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Business Combinations** | |
| **Accounting estimate** | **Fair value of consideration transferred in a business combination** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 3 - Business combinations**  **Paras 37 to 40** - The consideration transferred in a business combination is to be measured at fair value, which is to be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.  However, when transferred assets or liabilities remain within the combined entity after the business combination and the acquirer therefore retains control of them, the assets and liabilities are to be measured at their carrying amounts immediately before the acquisition date. |
| **Details of the nature of related disclosures required by IFRS** | Various related disclosures required by **IFRS 3 paragraph 59 to 63** and **Appendix B - Application guidance B64 to B67**, including the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration.  Also, **IFRS 13 paragraphs 91 to 99** require some disclosures that help users of financial statements to assess the valuation techniques and inputs, and effect of the measurements on profit or loss or other comprehensive income for the period. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | **IFRS 3** requires consideration is to be measured at fair value, except any portion of the share-based transaction which is to be measured at a market in accordance with IFRS 2.  **IFRS 13 paragraph 62** specifies 3 types of valuation technique (and criteria for selecting the appropriate technique for each type of asset or liability):   * Market approach * Income approach * Cost approach |
| **Commonly applicable assumptions** | Assumptions will differ based on assets transferred or the liabilities incurred and equity interests issued, and may include:   * Various assumptions related to the contractual terms of contingent consideration arrangements (e.g., projected future target metrics such as revenue or earnings) * Discount rates applied * Assumptions related to the valuation of comparable entities (e.g., enterprise value multiples) used to estimate fair value of acquirer’s equity instruments |
| **Commonly applicable data types** | Data used will differ based on the type of the assets transferred or liabilities incurred but may include:  **Underlying data to which management applies assumptions**   * Contractual terms of acquisition agreement (e.g., contingent or deferred consideration arrangements) * Historical financial data * Active market exchange data from reputable sources (e.g., level 1 inputs) * Market data related to similar transactions (e.g., level 2 inputs)   **Data supporting management's assumptions (if applicable)**   * Beta measures * Risk-free rates * Equity risk premiums |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate the expected inflow or outflow of economic benefits related to contingent assets or liabilities are not appropriate/ reasonable * Determination of purchase consideration (including consideration transferred, non-controlling interests and previously held interests) is not complete and accurate, or does not reflect foreign currency impacts * All contingent considerations are not identified and appropriately accounted for |
| **Examples of relevant control activities** | * Management reviews and approves accounting estimates * Contingent consideration adjustments are reviewed and approved * Purchase accounting adjustments are appropriately determined and reviewed * Potential measurement period adjustments are accumulated and reviewed |
| **Specific audit procedures available for documenting responses to assessed risks** | Test consideration transferred in the business combinations - [Transaction name] (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.

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| **Business Combinations** | |
| **Accounting estimate** | **Fair value of the assets acquired and liabilities assumed at acquisition date** |
| **Primary source(s) of relevant requirements of International Financial Reporting Standards (“IFRS”)** | **IFRS 3 - Business combinations**  **Paragraphs 10-31A** - Identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree are to be measured at their acquisition-date fair values.  However, non-controlling interests may also be measured at the present ownership instruments’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. |
| **Details of the nature of related disclosures required by IFRS** | The acquisition-date fair value of each major class of assets acquired and liabilities assumed and any non-controlling interest, such as:   1. cash; 2. other tangible or intangible assets, including a business or subsidiary of the acquirer; 3. liabilities incurred, for example, a liability for contingent consideration; and 4. equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of measuring the fair value of those instruments or interests.   **(IFRS 3.B64)**  Also, **IFRS 13 paragraphs 91 to 99** require some disclosures that help users of financial statements to assess the valuation techniques and inputs, and effect of the measurements on profit or loss or other comprehensive income for the period. |
| **Method(s) specified by applicable financial reporting framework, if applicable**  **Or**  **Commonly used methods** | Although the general principle of IFRS 3 is to measure assets acquired and liabilities assumed at fair value in accordance with IFRS 13 Fair Value Measurement, the standard includes exceptions to this principle for various specific items as prescribed in **IFRS 3 paragraphs 21 to 31** (e.g., reacquired rights, share-based payment transactions, assets held for sale, income taxes).  **IFRS 13 paragraph 62** specifies 3 types of valuation technique (and criteria for selecting the appropriate technique for each type of asset or liability):   * Market approach * Income approach * Cost approach |
| **Commonly applicable assumptions**  *Note – Depending on the nature of the assets acquired and liabilities assumed refer to other related accounting estimates in the Practice Aid.* | * Assumptions related to working capital asset valuations, such as cash collection or inventory selling prices less costs to sell * Discount rate (e.g., Weighted Average Return on Assets (“WARA”), Weighted Average Cost of Capital (“WACC”)) * Taxation-related assumptions, such as the ability to realize acquired past tax losses or in relation to uncertain tax positions * Assumptions related to the valuation of acquired employee benefit plan obligations and accounting for stock-based compensation arrangements * Assumptions related to acquired contingent liabilities or assets (including indemnification assets) * Assumptions related to restructuring obligations that existed at the acquisition date * Lease related assumptions (such as extension or termination options) for acquired leased assets and liabilities * Assumption related to the measurement of intangible assets (e.g., multi-period excess earnings method (“MEEM”), relief from royalty (RFR), greenfield method, and ‘with and without’ method) |
| **Commonly applicable data types** | **Underlying data to which management applies assumptions**   * Historical cost financial information * Historical prices or other terms included in contracts (e.g., contractually allowed inflationary increases) * Active market exchange data from reputable sources (e.g., level 1 inputs) * Market data related to similar transactions (e.g., level 2 inputs) * Enacted tax rates   **Data supporting management's assumptions (if applicable)**   * Beta measures * Risk-free rates * Equity risk premiums |
| **Retrospective review procedures performed for risk assessment purposes** | As part of obtaining our understanding of the entity’s internal controls related to accounting estimates, we also consider how management reviews the outcomes of previous accounting estimates and responds to the results of that review. Refer to OAG Audit 7073.1 for further guidance. |
| **Specific Risk(s)** | * Method (including any model), significant assumptions and data used to estimate fair values for assets acquired and liabilities assumed are not appropriate/ reasonable * Measurement period adjustments are not complete and accurate |
| **Examples of relevant control activities** | * A list of assets acquired and liabilities assumed in a business combination is maintained and reviewed * Qualified independent valuation experts/ specialists are involved as appropriate * Management reviews and approves accounting estimates |
| **Specific audit procedures available for documenting responses to assessed risks** | Test fair value measurements of assets and liabilities acquired—[Transaction name] (CAS 540)  Test contingent liabilities and contingent assets—Business combinations—[Transaction name] (CAS 540) |

**Note** - The methods, assumptions and data used by management will differ for each accounting estimate based on factors such as the nature of the entity and its environment and the requirements of the applicable financial reporting framework.