



**By e-mail < [Edcomments@ifac.org](mailto:Edcomments@ifac.org) > and by fax (0062 1 212 286 9570)**

1 June 2007

Our Ref.: C/AASC

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

Dear Sir,

**IAASB Exposure Draft of proposed ISA 570 (Redrafted) *Going Concern***

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

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

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

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

Yours faithfully,

Patricia McBride  
Executive Director

PM/SO/jc  
Encl.



**HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE  
IAASB EXPOSURE DRAFT  
OF ISA 570 (REDRAFTED) GOING CONCERN**

**Request for Specific Comments**

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

We believe that the objectives stated in the proposed redrafted IAS are appropriate.

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

Overall, we believe that the criteria for determining whether a requirement should be specified have been applied appropriately and consistently except for the following:

- **Performing Risk Assessment Procedures**

We note that paragraph 10 of the proposed requirements in relation to performing risk assessment procedures adopts an “either / or” approach. We find such an approach in the requirement section cumbersome.

We would suggest that, in order to achieve greater clarity, there should be separate paragraphs for each of the requirements relating to situations where management has performed an assessment and where they have not, rather than adopting an “either / or” approach.

In addition, the inquiry of management should also include a discussion of the management plans to address the events or conditions identified that may cast doubt on the entity’s ability to continue as a going concern in both the situations where they have carried out an assessment and where they have not.

- **Further Audit Procedures when Events or Conditions are Identified**

We note that in the second sentence of paragraph 16 (a), “When analysis of a cash flow forecast is a significant factor in considering the future outcome of events or conditions the auditor shall:

- Evaluate the reliability of the entity information system for generating such information; and
- Determine whether there is adequate support for the assumptions underlying the forecast.”

We believe that the contents of this second sentence would be better fitted into paragraph 16(b) which requires the auditor to evaluate management plans and whether the outcome of these plans will improve the situation. It is logical that it goes on to elaborate using cash flow forecast in considering the future outcome of events or conditions.

- Management Unwilling to Make or Extend Its Assessment

We note that in paragraph 22, the IAASB has elevated the sentence “In some circumstances, however, the lack of analysis by management may not preclude the auditor from being satisfied about the entity ability to continue as a going concern.” from paragraph 38 of the extant ISA. Paragraph 38 of the extant ISA goes on to give an example where the auditor’s other procedures may be sufficient to assess the appropriateness of management’s use of the going concern assumption. We find the example useful.

In the application guidance of A27 in the proposed ISA, we note that there is no example guidance provided in this respect. We recommend that the IAASB restates the example in the extant ISA as application guidance in the proposed ISA.

~ END ~