

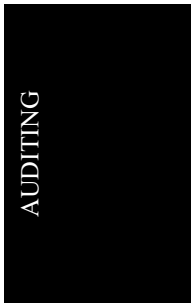
INTERNATIONAL STANDARD ON AUDITING 710
COMPARATIVES

(Effective for audits of financial statements for periods
beginning on or after December 15, 2004)*

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International Standard on Auditing (ISA) 710, "Comparatives" should be read in the context of the "Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services," which sets out the application and authority of ISAs.



* ISA 315, "Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement," ISA 330, "The Auditor's Procedures in Response to Assessed Risks," and ISA 500, "Audit Evidence" gave rise to conforming amendments to ISA 710. The conforming amendments are effective for audits of financial statements for periods beginning on or after December 15, 2004 and have been incorporated in the text of ISA 710.

Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the auditor's responsibilities regarding comparatives. It does not deal with situations when summarized financial statements are presented with the audited financial statements (for guidance see ISA 720, "Other Information in Documents Containing Audited Financial Statements," and ISA 800, "The Auditor's Report on Special Purpose Audit Engagements").
2. **The auditor should determine whether the comparatives comply in all material respects with the financial reporting framework applicable to the financial statements being audited.**
3. The existence of differences in financial reporting frameworks between countries results in comparative financial information being presented differently in each framework. Comparatives in financial statements, for example, may present amounts (such as financial position, results of operations, cash flows) and appropriate disclosures of an entity for more than one period, depending on the framework. The frameworks and methods of presentation are referred to in this ISA as follows:
 - (a) *Corresponding figures* where amounts and other disclosures for the preceding period are included as part of the current period financial statements, and are intended to be read in relation to the amounts and other disclosures relating to the current period (referred to as "current period figures" for the purpose of this ISA). These corresponding figures are not presented as complete financial statements capable of standing alone, but are an integral part of the current period financial statements intended to be read only in relationship to the current period figures.
 - (b) *Comparative financial statements* where amounts and other disclosures for the preceding period are included for comparison with the financial statements of the current period, but do not form part of the current period financial statements.

(Refer to Appendix 1 to this ISA for discussion of these different reporting frameworks.)
4. Comparatives are presented in compliance with the applicable financial reporting framework. The essential audit reporting differences are that:
 - (a) For corresponding figures, the auditor's report only refers to the financial statements of the current period; whereas
 - (b) For comparative financial statements, the auditor's report refers to each period that financial statements are presented.

5. This ISA provides guidance on the auditor's responsibilities for comparatives and for reporting on them under the two frameworks in separate sections.

Corresponding Figures

The Auditor's Responsibilities

6. **The auditor should obtain sufficient appropriate audit evidence that the corresponding figures meet the requirements of the applicable financial reporting framework.** The extent of audit procedures performed on the corresponding figures is significantly less than for the audit of the current period figures and is ordinarily limited to ensuring that the corresponding figures have been correctly reported and are appropriately classified. This involves the auditor evaluating whether:
 - (a) Accounting policies used for the corresponding figures are consistent with those of the current period or whether appropriate adjustments and/or disclosures have been made; and
 - (b) Corresponding figures agree with the amounts and other disclosures presented in the prior period or whether appropriate adjustments and/or disclosures have been made.
7. When the financial statements of the prior period have been audited by another auditor, the incoming auditor evaluates whether the corresponding figures meet the conditions specified in paragraph 6 above and also follows the guidance in ISA 510, "Initial Engagements—Opening Balances."
8. When the financial statements of the prior period were not audited, the incoming auditor nonetheless assesses whether the corresponding figures meet the conditions specified in paragraph 6 above and also follows the guidance in ISA 510.
9. If the auditor becomes aware of a possible material misstatement in the corresponding figures when performing the current period audit, the auditor performs such additional audit procedures as are appropriate in the circumstances.

Reporting

10. **When the comparatives are presented as corresponding figures, the auditor should issue an auditor's report in which the comparatives are not specifically identified because the audit opinion is on the current period financial statements as a whole, including the corresponding figures.**
11. The auditor's report would make specific reference to the corresponding figures only in the circumstances described in paragraphs 12, 13, 15(b), and 16-19.

12. **When the auditor’s report on the prior period, as previously issued, included a qualified opinion, disclaimer of opinion, or adverse opinion and the matter which gave rise to the modification is:**
 - (a) **Unresolved, and results in a modification of the auditor’s report regarding the current period figures, the auditor’s report should also be modified regarding the corresponding figures; or**
 - (b) **Unresolved, but does not result in a modification of the auditor’s report regarding the current period figures, the auditor’s report should be modified regarding the corresponding figures.**
13. When the auditor’s report on the prior period, as previously issued, included a qualified opinion, disclaimer of opinion, or adverse opinion and the matter which gave rise to the modification is resolved and properly dealt with in the financial statements, the current report does not ordinarily refer to the previous modification. However, if the matter is material to the current period, the auditor may include an emphasis of matter paragraph dealing with the situation.
14. In performing the audit of the current period financial statements, the auditor, in certain unusual circumstances, may become aware of a material misstatement that affects the prior period financial statements on which an unmodified report has been previously issued.
15. **In such circumstances, the auditor should consider the guidance in ISA 560, “Subsequent Events” and:**
 - (a) **If the prior period financial statements have been revised and reissued with a new auditor’s report, the auditor should obtain sufficient appropriate audit evidence that the corresponding figures agree with the revised financial statements; or**
 - (b) **If the prior period financial statements have not been revised and reissued, and the corresponding figures have not been properly restated and/or appropriate disclosures have not been made, the auditor should issue a modified report on the current period financial statements, modified with respect to the corresponding figures included therein.**
16. If, in the circumstances described in paragraph 14, the prior period financial statements have not been revised and an auditor’s report has not been reissued, but the corresponding figures have been properly restated and/or appropriate disclosures have been made in the current period financial statements, the auditor may include an emphasis of matter paragraph describing the circumstances and referencing to the appropriate disclosures. In this regard, the auditor also considers the guidance in ISA 560.

Incoming Auditor—Additional Requirements*Prior Period Financial Statements Audited by Another Auditor*

17. In some jurisdictions, the incoming auditor is permitted to refer to the predecessor auditor's report on the corresponding figures in the incoming auditor's report for the current period. **When the auditor decides to refer to another auditor, the incoming auditor's report should indicate:**
- (a) **That the financial statements of the prior period were audited by another auditor;**
 - (b) **The type of report issued by the predecessor auditor and, if the report was modified, the reasons therefor; and**
 - (c) **The date of that report.**

Prior Period Financial Statements Not Audited

18. **When the prior period financial statements are not audited, the incoming auditor should state in the auditor's report that the corresponding figures are unaudited.** Such a statement does not, however, relieve the auditor of the requirement to perform appropriate audit procedures regarding opening balances of the current period. Clear disclosure in the financial statements that the corresponding figures are unaudited is encouraged.
19. **In situations where the incoming auditor identifies that the corresponding figures are materially misstated, the auditor should request management to revise the corresponding figures or if management refuses to do so, appropriately modify the report.**

Comparative Financial Statements**The Auditor's Responsibilities**

20. **The auditor should obtain sufficient appropriate audit evidence that the comparative financial statements meet the requirements of the applicable financial reporting framework.** This involves the auditor evaluating whether:
- (a) Accounting policies of the prior period are consistent with those of the current period or whether appropriate adjustments and/or disclosures have been made; and
 - (b) Prior period figures presented agree with the amounts and other disclosures presented in the prior period or whether appropriate adjustments and disclosures have been made.
21. When the financial statements of the prior period have been audited by another auditor, the incoming auditor evaluates whether the comparative financial statements meet the conditions in paragraph 20 above and also follows the guidance in ISA 510.

22. When the financial statements of the prior period were not audited, the incoming auditor nonetheless evaluates whether the comparative financial statements meet the conditions specified in paragraph 20 above and also follows the guidance in ISA 510.
23. If the auditor becomes aware of a possible material misstatement in the prior year figures when performing the current period audit, the auditor performs such additional audit procedures as are appropriate in the circumstances.

Reporting

24. **When the comparatives are presented as comparative financial statements, the auditor should issue a report in which the comparatives are specifically identified because the audit opinion is expressed individually on the financial statements of each period presented.** Since the auditor's report on comparative financial statements applies to the individual financial statements presented, the auditor may express a qualified or adverse opinion, disclaim an opinion, or include an emphasis of matter paragraph with respect to one or more financial statements for one or more periods, while issuing a different report on the other financial statements.
25. **When reporting on the prior period financial statements in connection with the current year's audit, if the opinion on such prior period financial statements is different from the opinion previously expressed, the auditor should disclose the substantive reasons for the different opinion in an emphasis of matter paragraph.** This may arise when the auditor becomes aware of circumstances or events that materially affect the financial statements of a prior period during the course of the audit of the current period.

Incoming Auditor—Additional Requirements

Prior Period Financial Statements Audited by Another Auditor

26. **When the financial statements of the prior period were audited by another auditor:**
 - (a) **The predecessor auditor may reissue the auditor's report on the prior period with the incoming auditor only reporting on the current period; or**
 - (b) **The incoming auditor's report should state that the prior period was audited by another auditor and the incoming auditor's report should indicate:**
 - (i) **That the financial statements of the prior period were audited by another auditor;**
 - (ii) **The type of report issued by the predecessor auditor and if the report was modified, the reasons therefor; and**
 - (iii) **The date of that report.**

27. In performing the audit on the current period financial statements, the incoming auditor, in certain unusual circumstances, may become aware of a material misstatement that affects the prior period financial statements on which the predecessor auditor had previously reported without modification.
28. **In these circumstances, the incoming auditor should discuss the matter with management and, after having obtained management's authorization, contact the predecessor auditor and propose that the prior period financial statements be restated. If the predecessor agrees to reissue the auditor's report on the restated financial statements of the prior period, the auditor should follow the guidance in paragraph 26.**
29. If, in the circumstances discussed in paragraph 27, the predecessor does not agree with the proposed restatement or refuses to reissue the auditor's report on the prior period financial statements, the introductory paragraph of the auditor's report may indicate that the predecessor auditor reported on the financial statements of the prior period before restatement. In addition, if the incoming auditor is engaged to audit and applies sufficient audit procedures to be satisfied as to the appropriateness of the restatement adjustment, the auditor may also include the following paragraph in the report:

We also audited the adjustments described in Note X that were applied to restate the 19X1 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Prior Period Financial Statements Not Audited

30. **When the prior period financial statements are not audited, the incoming auditor should state in the auditor's report that the comparative financial statements are unaudited.** Such a statement does not, however, relieve the auditor of the requirement to carry out appropriate audit procedures regarding opening balances of the current period. Clear disclosure in the financial statements that the comparative financial statements are unaudited is encouraged.
31. **In situations where the incoming auditor identifies that the prior year unaudited figures are materially misstated, the auditor should request management to revise the prior year's figures or if management refuses to do so, appropriately modify the report.**

Effective Date

32. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2004.

Appendix 1**Discussion of Financial Reporting Frameworks for Comparatives**

1. Comparatives covering one or more preceding periods provide the users of financial statements with information necessary to identify trends and changes affecting an entity over a period of time.
2. Under financial reporting frameworks (both implicit and explicit) prevailing in a number of countries, comparability and consistency are desirable qualities for financial information. Defined in broadest terms, comparability is the quality of having certain characteristics in common and comparison is normally a quantitative assessment of the common characteristics. Consistency is a quality of the relationship between two accounting numbers. Consistency (for example, consistency in the use of accounting principles from one period to another, the consistency of the length of the reporting period, etc.) is a prerequisite for true comparability.
3. There are two broad financial reporting frameworks for comparatives: the corresponding figures and the comparative financial statements.
4. Under the corresponding figures framework, the corresponding figures for the prior period(s) are an integral part of the current period financial statements and have to be read in conjunction with the amounts and other disclosures relating to the current period. The level of detail presented in the corresponding amounts and disclosures is dictated primarily by its relevance to the current period figures.
5. Under the comparative financial statements framework, the comparative financial statements for the prior period(s) are considered separate financial statements. Accordingly, the level of information included in those comparative financial statements (including all statement amounts, disclosures, footnotes and other explanatory statements to the extent that they continue to be of significance) approximates that of the financial statements of the current period.

Appendix 2**Example Auditors' Reports****Example A Corresponding Figures: Example report for the circumstances described in paragraph 12(a)**AUDITOR'S REPORT
(APPROPRIATE ADDRESSEE)

We have audited the accompanying¹ balance sheet of the ABC Company as of December 31, 19X1, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements which practice, in our opinion, is not in accordance with International Accounting Standards (or refer to applicable national standards). This is the result of a decision taken by management at the start of the preceding financial year and caused us to qualify our audit opinion on the financial statements relating to that year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by xxx in 19X1 and xxx in 19X0, the fixed assets should be reduced by accumulated depreciation of xxx in 19X1 and xxx in 19X0, and the accumulated loss should be increased by xxx in 19X1 and xxx in 19X0.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of (or

¹ The reference can be by page numbers.

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present fairly, in all material respects) the financial position of the Company as of December 31, 19X1, and of its financial performance and its cash flows for the year then ended in accordance with ...² (and comply with ...³).

AUDITOR

Date
Address

² Indicate International Accounting Standards or applicable national standards.

³ Reference to applicable statutes or laws.

Example B Corresponding Figures: Example report for the circumstances described in paragraph 12(b)

AUDITOR'S REPORT

(APPROPRIATE ADDRESSEE)

We have audited the accompanying⁴ balance sheet of the ABC Company as of December 31, 19X1, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Because we were appointed auditors of the Company during 19X0, we were not able to observe the counting of the physical inventories at the beginning of that (period) or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for 19X0. Our auditor's report on the financial statements for the (period) ended (balance sheet date) 19X0 was modified accordingly.

In our opinion, except for the effect on the corresponding figures for 19X0 of the adjustments, if any, to the results of operations for the (period) ended 19X0, which we might have determined to be necessary had we been able to observe beginning inventory quantities as at ..., the financial statements give a true and fair view of (or present fairly, in all material respects) the financial position of the Company as of December 31, 19X1, and of its financial performance and its cash flows for the year then ended in accordance with...⁵ (and comply with⁶).

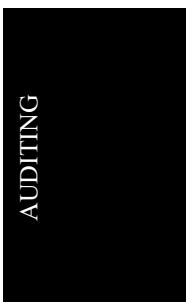
AUDITOR

Date
Address

⁴ The reference can be by page numbers.

⁵ Indicate International Accounting Standards or applicable national standards.

⁶ Reference to applicable statutes or laws.



COMPARATIVES

Example C Comparative Financial Statements: Example report for the circumstances described in paragraph 24

AUDITOR'S REPORT

(APPROPRIATE ADDRESSEE)

We have audited the accompanying⁷ balance sheets of the ABC Company as of December 31, 19X1 and 19X0, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements which practice, in our opinion, is not in accordance with International Accounting Standards (or refer to applicable national standards). Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by xxx in 19X1 and xxx in 19X0, the fixed assets should be reduced by accumulated depreciation of xxx in 19X1 and xxx in 19X0, and the accumulated loss should be increased by xxx in 19X1 and xxx in 19X0.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of (or present fairly, in all material respects) the financial position of the Company as of December 31, 19X1 and 19X0, and of its financial performance and its cash flows for the year then ended in accordance with...⁸ (and comply with⁹).

AUDITOR

Date
Address

⁷ The reference can be by page numbers.

⁸ Indicate International Accounting Standards or applicable national standards.

⁹ Reference to applicable statutes or laws.

Example D Corresponding Figures: Example report for the circumstances described in paragraph 17

AUDITOR'S REPORT

(APPROPRIATE ADDRESSEE)

We have audited the accompanying¹⁰ balance sheet of the ABC Company as of December 31, 19X1, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 19X0, were audited by another auditor whose report dated March 31, 19X1, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of (or present fairly, in all material respects) the financial position of the Company as of December 31, 19X1, and of its financial performance and its cash flows for the year then ended in accordance with...¹¹ (and comply with ...¹²).

AUDITOR

Date
Address

AUDITING

¹⁰ The reference can be by page numbers.

¹¹ Indicate International Accounting Standards or applicable national standards.

¹² Reference to applicable statutes or laws.

COMPARATIVES

Example E Comparative Financial Statements: Example report for the circumstances described in paragraph 26(b)

AUDITOR'S REPORT

(APPROPRIATE ADDRESSEE)

We have audited the accompanying¹³ balance sheet of the ABC Company as of December 31, 19X1, and income statement, statement of change in equity and cash flow statement for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Company as of December 31, 19X0, were audited by another auditor whose report dated March 31, 19X1, expressed a qualified opinion due to a disagreement as to the adequacy of the provision for doubtful receivables.

We conducted our audit in accordance with International Standards on Auditing (or refer to applicable national standards or practices). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The receivables referred to above are still outstanding at December 31, 19X1 and no provision for potential loss has been made in the financial statements. Accordingly, the provision for doubtful receivables at December 31, 19X1 and 19X0 should be increased by xxx, the net profit for 19X0 decreased by xxx and the retained earnings at December 31, 19X1 and 19X0 reduced by xxx.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the 19X1 financial statements referred to above give a true and fair view of (or present fairly, in all material respects) the financial position of the Company as of December 31, 19X1, and of its financial performance and its cash flows for the year then ended in accordance with...¹⁴ (and comply with ...¹⁵).

AUDITOR

Date
Address

¹³ The reference can be by page numbers.

¹⁴ Indicate International Accounting Standards or applicable national standards.

¹⁵ Reference to applicable statutes or laws.