



At a glance

From the Audit & Attest Standards Team

Auditing Accounting Estimates and Related Disclosures

What happened?

In July 2020, the AICPA Auditing Standards Board (ASB) issued Statement on Auditing Standards No. 143, *Auditing Accounting Estimates and Related Disclosures*. SAS No. 143 addresses the auditor's responsibilities relating to accounting estimates, including fair value accounting estimates, and related disclosures in an audit of financial statements. This standard enables auditors to appropriately address the increasingly complex scenarios that arise from new accounting standards that include estimates. SAS No. 143 supersedes SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended, section 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, and amends various other AU-C sections in AICPA *Professional Standards*.

What is changing?

The following are some of the fundamental aspects of SAS No. 143 that enhance the auditing standards relating to auditing accounting estimates and the auditor's focus on factors driving estimation uncertainty and potential management bias. The SAS:

- explains the nature of accounting estimates and the concept of estimation uncertainty,
- provides information about scalability of the SAS for all types of accounting estimates, from those that are relatively simple to those that are complex,
- requires a separate assessment of inherent risk and control risk at the assertion level,
- includes an enhanced risk assessment intended to address the challenges auditors face when auditing accounting estimates by providing risk assessment requirements that are more specific to estimates and addresses the increasingly complex business



SAS No. 143 helps auditors to appropriately address increasingly complex scenarios that arise from new accounting standards that include estimates.

environment and complexity in financial reporting frameworks,

- emphasizes that the auditor's further audit procedures need to be responsive to the reasons for the assessed risks of material misstatement at the relevant assertion level,
- refers to relevant requirements in other AU-C sections and provides related guidance to emphasize the importance of the auditor's decisions about controls relating to accounting estimates,
- addresses the exercise of professional skepticism when auditing accounting estimates, and
- requires the auditor to evaluate, based on the audit procedures performed and the audit evidence obtained, whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework.

Next steps

SAS No. 143 is effective for audits of financial statements for periods ending on or after Dec. 15, 2023. The final SAS can be viewed on the AICPA's website by clicking [here](#).