

PCAOB Adopts New Estimates Standard and Amendments Related to Using the Work of Specialists

Washington, D.C., Dec. 20, 2018

The Public Company Accounting Oversight Board today adopted a [new standard](#) to enhance the requirements that apply when auditing accounting estimates, including fair value measurements. The Board also adopted [amendments to its auditing standards](#) to strengthen requirements that apply when auditors use the work of specialists in an audit.

The new estimates standard replaces three standards with a single, uniform standard that sets forth an updated approach to auditing accounting estimates. It emphasizes that auditors need to apply professional skepticism, including addressing potential management bias, when auditing accounting estimates. Additionally, the new standard provides more specific direction on auditing fair values of financial instruments that are based on information from third-party pricing sources.

The amendments adopted by the Board strengthen the requirements for evaluating the work of a company's specialist, whether employed or engaged by the company. They also apply a supervisory approach to both auditor-employed and auditor-engaged specialists.

“The Board’s action today comes after thoughtful analysis and extensive external engagement on the prevalent use of accounting estimates and the auditor’s use of the work of specialists, recognizing that these are both challenging areas of the audit that needed to be addressed,” said PCAOB Chairman William D. Duhnke III. “These two standard-setting projects align with the PCAOB’s strategic priorities by enhancing our efforts to protect investors and strengthen auditing practices.”

More on the history of the projects, including historical documents, can be found in [Rulemaking Docket 043](#) for the estimates standard and [Rulemaking Docket 044](#) for the

amendments. Fact sheets on the [new estimates standard](#) and [amendments for auditor's use of the work of specialists in an audit](#) also provide additional information and resources.

Subject to approval by the Securities and Exchange Commission, the new estimates standard and amendments on the auditor's use of the work of specialists will be effective for audits of financial statements for fiscal years ending on or after December 15, 2020. Both standard-setting projects apply to audits conducted under PCAOB standards.