

## MULUND MAY 2016 + NOV 2016 AUDIT REMAINING STANDARDS

### SA 800/805/810

1. The Standards on Auditing (SAs) in the 100-700 series apply to an audit of financial statements prepared for general purpose i.e balance sheet/P&L prepared as per generally accepted financial reporting framework. This set of SA deals with special considerations in the application of those SAs to an audit of financial statements prepared in accordance with a special purpose
2. Following must be noted for applicability of SA 800/805/810:
  - a. SA 800: This SA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework. Example: preparing financial statements as per provisions of contract or as required for complying with regulator.
  - b. SA 805: This SA deals with special considerations in the application of those SAs to an audit of a single financial statement or of a specific element, account or item of a financial statement. Example, A schedule of net tangible assets, including related notes.
  - c. SA 810: This Standard on Auditing (SA) deals with the auditor's responsibilities when undertaking an engagement to report on summary financial statements derived from financial statements audited in accordance with SAs usually done by that same auditor
3. These standards do not over ride the requirements of other standards i.e. other standards are to be considered for preparing financial statements under special purpose framework or preparing summary of financial statements
4. Procedures under SA 800:
  - a. Obtain understanding of the purpose for which financial statements have been prepared, intended users and steps taken by management that AFRF is acceptable
  - b. Obtain an understanding of the entity's selection and application of accounting policies
  - c. The auditor's report on special purpose financial statements shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose
5. Procedures under SA 805:
  - a. In the case of an audit of a single financial statement or of a specific element of a financial statement, other SAs shall be observed irrespective of whether the auditor is also engaged to audit the entity's complete set of financial statements
  - b. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's complete set of financial statements, the auditor shall express a separate opinion for each engagement
  - c. An audited single financial statement or an audited specific element of a financial statement may be published together with the entity's audited complete set of

financial statements. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the complete set of financial statements, the auditor shall ask management to rectify the situation.

- d. The relevance of each of the SAs requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, SAs such as SA 240, SA 550, and SA 570 are, in principle, relevant.
6. Procedures under SA 810:
- a. The auditor shall, ordinarily, accept an engagement to report on summary financial statements in accordance with this SA only when the auditor has been engaged to conduct an audit in accordance with SAs of the financial statements from which the summary financial statements are derived
  - b. Obtain agreement from the management for its responsibility of preparing and presenting summary financial statements
  - c. Evaluate whether the summary financial statements adequately disclose their summarised nature and identify the audited financial statements.
  - d. Evaluate whether the summary financial statements adequately disclose the applied criteria.
  - e. Compare the summary financial statements with the related information in the audited financial statements for inconsistency, if any.
  - f. Phrases for reporting
    - i. The summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [the applied criteria]
    - ii. The summary financial statements are a fair summary of the audited financial statements, in accordance with [the applied criteria]

SRE/SAE/SRS

<b><u>AAS</u></b>	<b><u>Applicable for</u></b>	<b><u>Imp Requirement</u></b>	<b><u>Reporting/ documentation requirement</u></b>
SRE 2400	CA in practise + Review of Financial statements	Moderate level of assurance. While agreeing the eng terms, mention that this is not audit. Scope of review: SRE + statute + Engagement Terms.	Negative assurance. Describe scope and Audit was not performed. Introductory and Scope Para separately.
SRE 2410	Statutory Auditor of an entity + Review of Interim financial	SAME as SRE 2400	Review report addressed to BOD. Negative assurance.

	information (quarterly financial statements) as per AS 25		
SAE 3400	Examination of PFI i.e. Projection(hypothetical assumptions) or forecast(best estimate) of management decisions i.e. Future cashflows expenses etc.	Verify reasonableness of management assumptions since auditor is not expressing opinion and not vouching for accuracy as these are the figures for which no corresponding events have occurred. Example: PFI of cash flows due to capital purchase of machineries, investment in new business segment.	Negative assurance. Adverse opinion if there is no reasonable basis for assumption. Include a statement that actual figures (actual outcome) can be different
SAE 3402	Read with SA 402 What service auditor will do to give report to user auditor? This SAE guides the service auditor and not the user auditor.	2 methods Carve-out method: no responsibility taken for Sub SO controls Inclusive Method: Responsibility and description for Sub SO controls.	Type A report: description of design and procedures Type B report: Type A report + operating effectiveness.
SRS 4400	Perform procedures as agreed upon between management and auditor. Eg. Bank may ask the auditor to just verify and give monthly stock statements	Independence is optional. If no independence then mention in the report. Perform the work as a practitioner & there is no expression of opinion and fact finding is the essence here.	No assurance. Mention the scope. Mention that assignment is as per SRS 4400. Mention that no audit or review has been performed. Write a Statement that the report is meant for limited/stated purpose only.
SRS	Responsibility of	Independence is	No assurance.

4410	<p>accountant and not auditor to compile financial information. Compilation preparation and no audit of such compilation</p>	<p>optional.          If no independence then mention in the report.          Specifically mention that engagement can't be relied upon to disclose the frauds however management will be informed if accountant comes across any such observation.</p>	<p>Report title-          "Accountant's report on Unaudited FS."          Mention SRS 4410 in accountant's report          If departure from AFRF then give the Para in report</p>
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