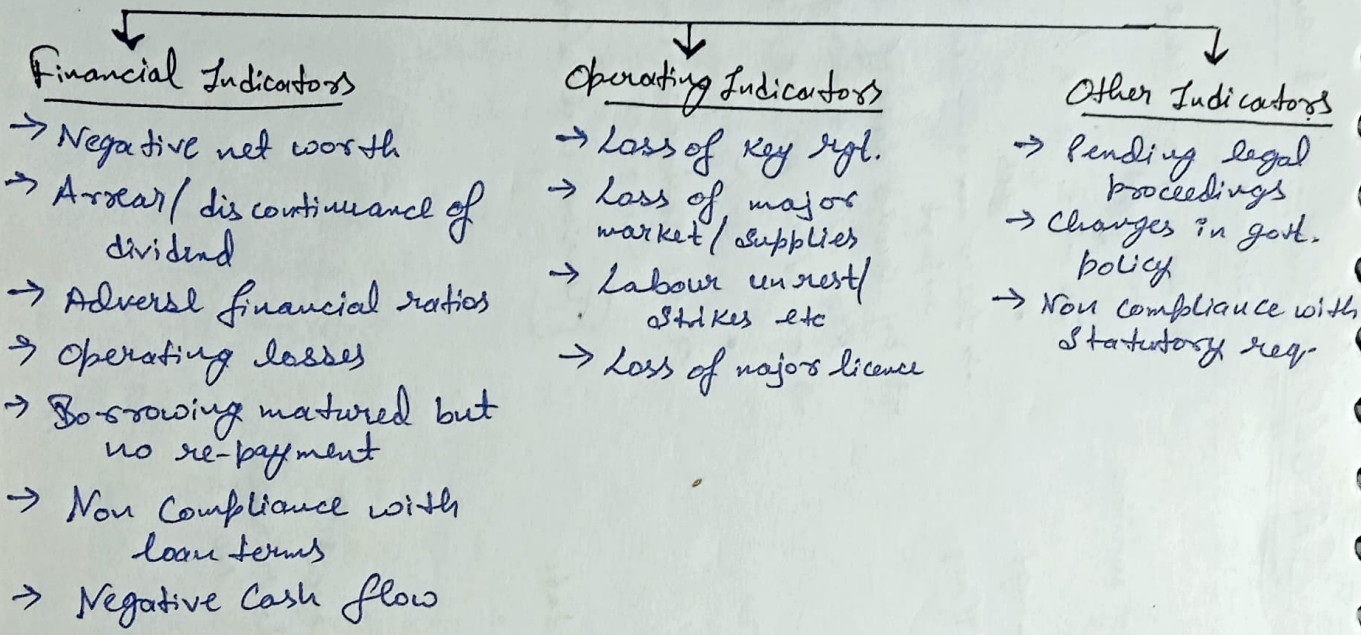


Going Concern

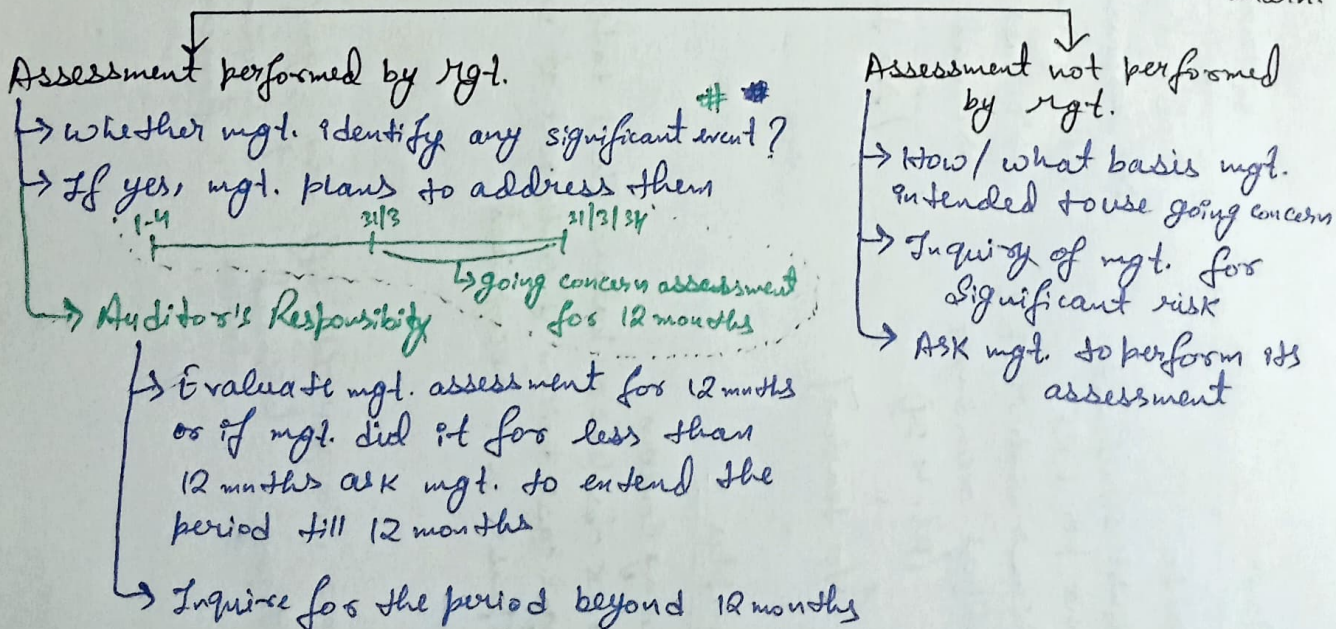
Step 1 → Risk assessment procedure & related activities

Auditors will consider whether there are event or condition which may cast significant doubt on the entity's ability to continue as going concern.

Event / Conditions or Indicators



The Auditor should ask mgt. for preliminary assessment of entity for going concern.



Audit procedure when event or condition identified?

- Auditor should obtain S4A audit evidence to determine whether a significant doubt exist?
- Consider mitigating factors
- Ask mgt. to perform risk assessment
- Evaluate mgt. future plans
- Evaluate assumptions, Base data for mgt. forecast of future cash flow
- Request WR for future action

Step-2 → Auditor's conclusion in relation to financial statement

- ↳ Evaluate S4A Audit evidence obtained?
- ↳ whether a material ~~&~~ uncertainty exist?

Situation 1

- Disclosure in FS → Condition identified & material uncertainty exist
- Disclose in F.S. with mgt. Plans
- Disclose that company may be unable to realize its assets & discharge its liabilities in the normal course of business

Situation 2

- Disclosure in FS → Condition identified & No material uncertainty exist
- Auditor should check applicable FRF requirement & check that financial statements provide adequate disclosure about the events or conditions

Step 3 → Implications in Audit Report

- Case I → Going Concern accounting is inappropriate → Adverse opinion
- Case II → Going Concern accounting is appropriate BUT material uncertainty exist
 - ↳ Adequate disclosure made in F.S. →
 - Unmodified opinion
 - mention in going concern paragraph in audit Report
 - ↳ Adequate disclosure not made in F.S. →
 - Qualified / Adverse
 - Basis for qualified / Adverse opinion - free detailed

→ Mgt. unwilling to make assessment → Implication on Audit opinion