

# SA 500 Audit Evidence

Info. used by Auditor

↓  
in arriving at conclusions

↓  
on which auditor's opinion is based.

A. Evidence Includes:

Info. in A/c Records

- Records of a/c entries
- General / subssy. ledgers,  
JEs & other adjustments

Other info.

Authorisation  
meetings

Authenticates a/c Records

P.O. ~ authorised  
G.C.?

Supports true / fair view of A.S.

Power

Worksheets & Spreadsheets support  
Cost allocations, computation etc.

PPF

PPF → Dep'n ✓  
working

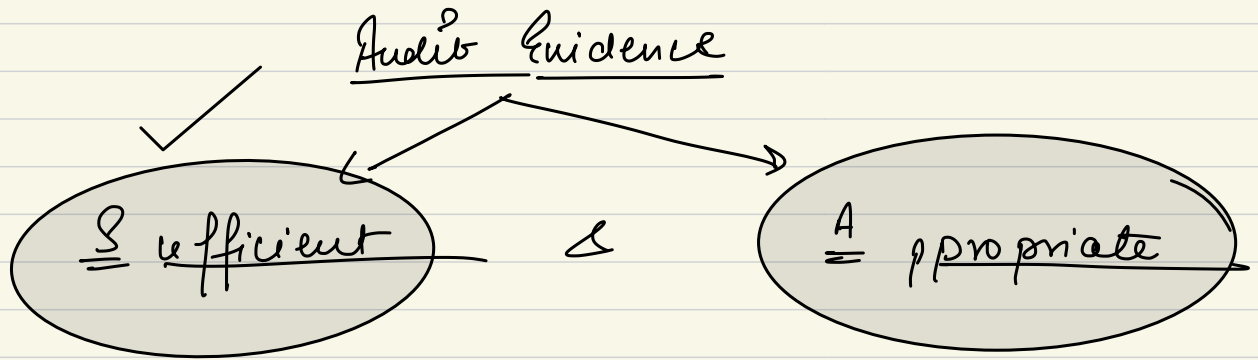
- Invoices / Contracts

Minutes, manuals of GCs,

& written confirmation from Drs / Crs.

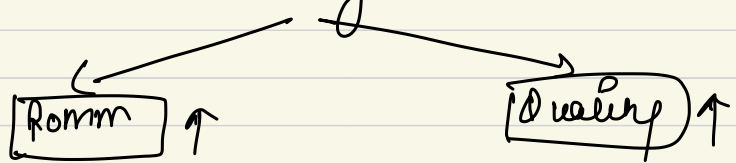
purchase

Instr



Sufficiency: Measure of Quantity of A. evidence

Affected by:



Qty

More

Less

Factors affecting Sufficiency of A. Evidence

Materiality

ROMM

Size of population

*(Component)*  
 ↓  
Significance  
 of  
 ABCD to users of fs.

• More material → Qty ↑

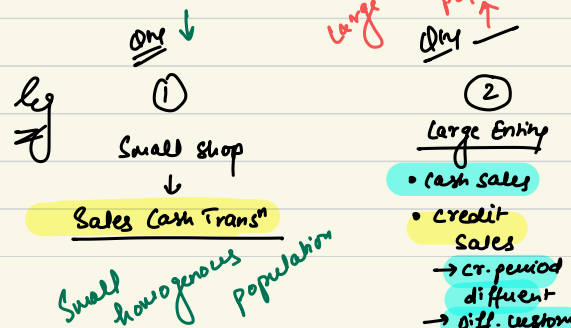
• Less material → Qty ↓

• Higher ROMM ↓ Qty ↑

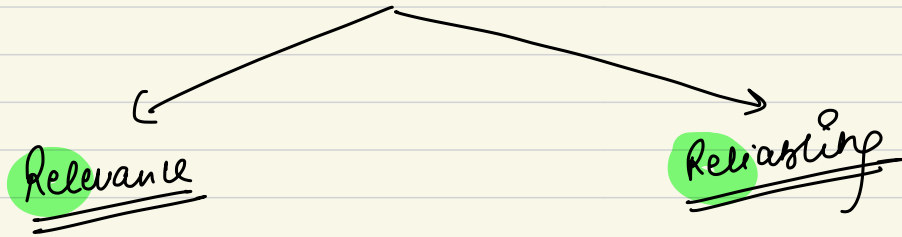
• Lower ROMM ↓ Qty ↓

• Small homogeneous pop<sup>n</sup> → Qty ↓

• Large Heterogeneous pop<sup>n</sup> → Qty ↑



# (Quality) Appropriateness of A. Evidence



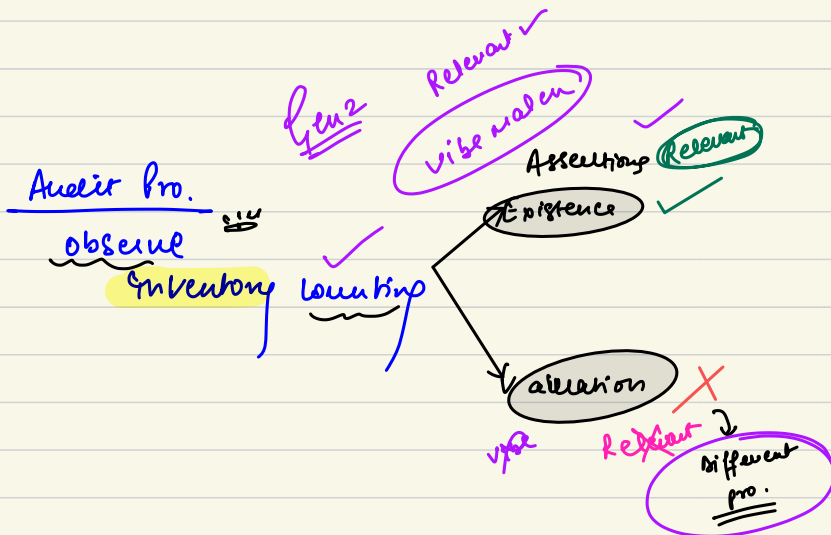
Relevance : "logical connection" b/w purpose of A. Procedure and Assertion being tested.

eg

Purpose

What should be Tested

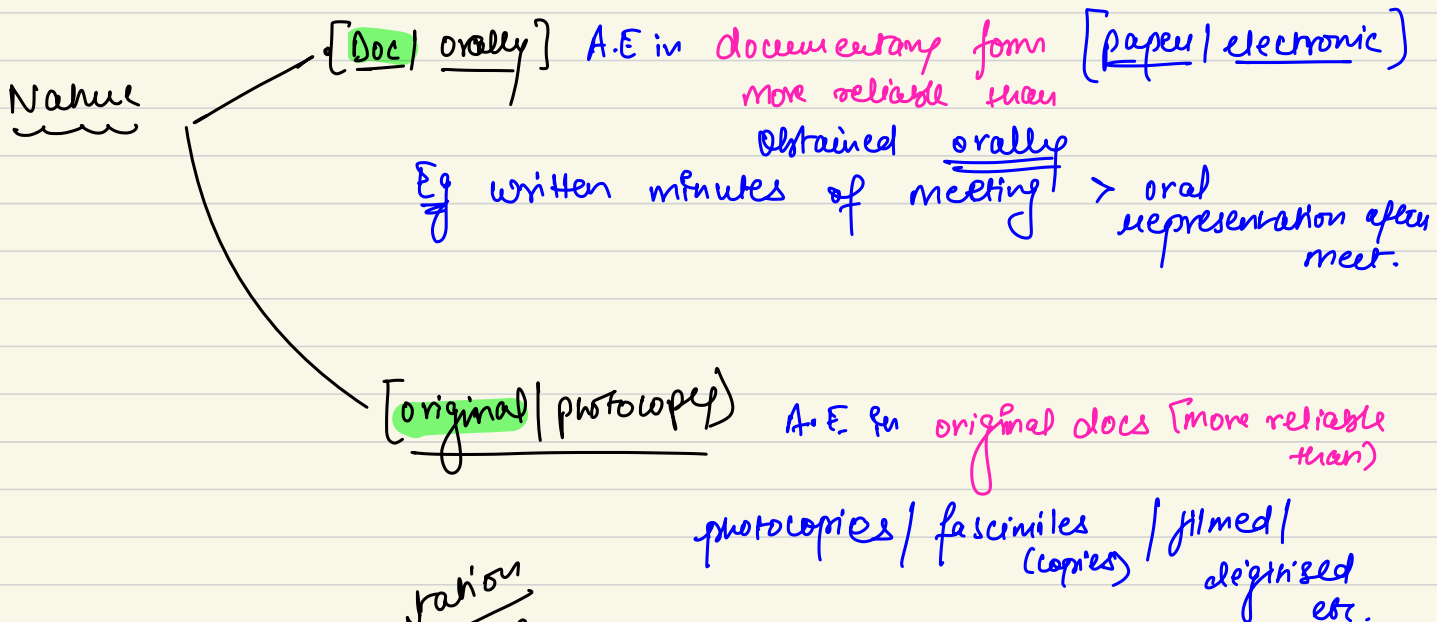
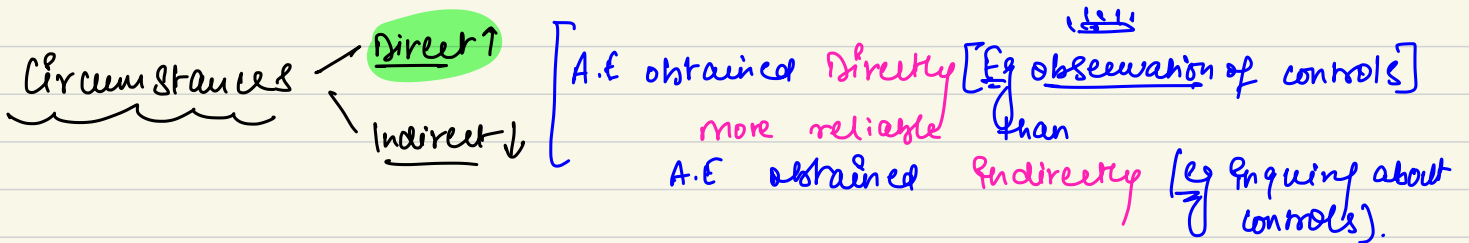
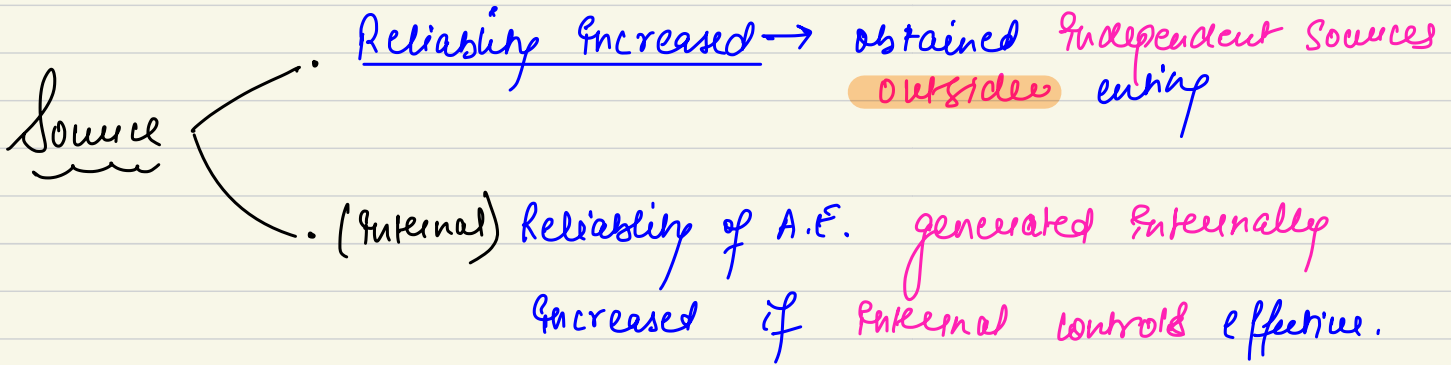
- (omission)
- ① Test understatement of existence/valuation of crs. → (A) Recorded crs.
  - ② Test overstatement of existence/valuation of crs. → (B) subsequent payments, disbursements, unpaid invoices etc.
- [Record → sahi/overstate]





# "Reliability" of A. Evidence

It's influenced by source, nature & circumstances in which it's obtained



Eg mgt → written representation PPFs as per AFRF

↓  
Refuse

with the tho →

A. Evidence

gathering

SEC

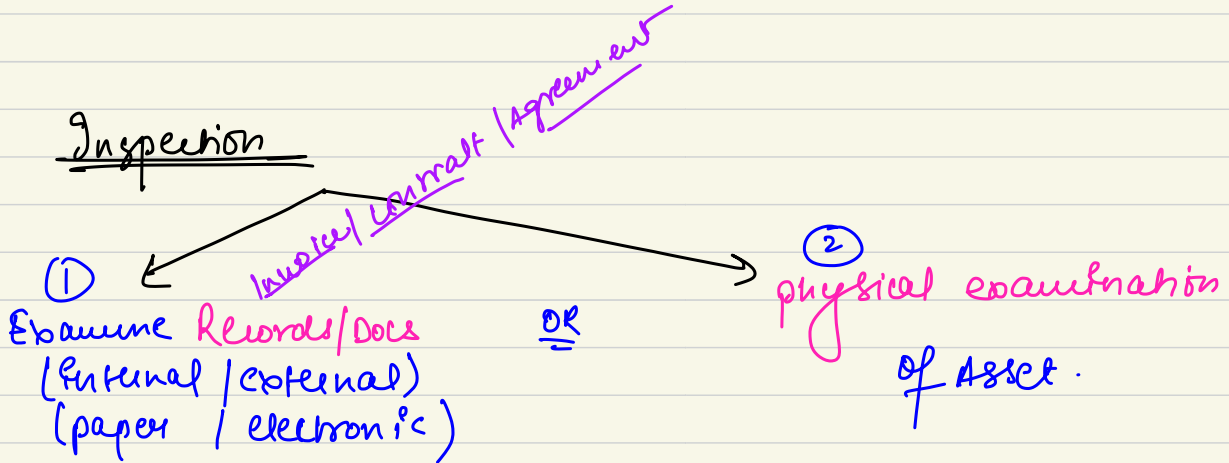
# Audit Procedures

## I. Category

- Risk Assessment Pro. [Understanding]
- Further Audit Pro. [Testing] [Tools + Subs. Pro. (An. Pro)]

## II. Category

### Inspection



### Inspection of Records/Docs

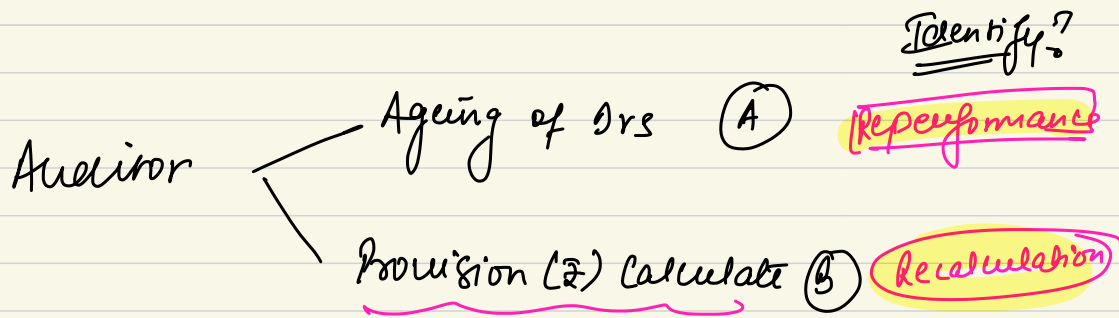
audit evidence vary in reliability  
 ↓  
 depends on Nature, Source  
 & for Internal records on  
GC. over preparation.

(Eg P.O. Authority)

- TOCs → Inspection of Records of Authorisation.
- TODs. → Exploited Contract → evidence of Revenue Recognition at policies.

### ② Physical Inspection

- Tangible Assets PPE → Evidence { Existence ✓, Right & obligation, Valuation }
- Inventory → Inspection may be used with observation.



## Inquiry

I. Seeking info. from knowledgeable persons.

- financial or non-financial
- within or outside entity

• Formal written / Informal oral inquiry

? Must must must!

→ Used extensively throughout audit.

last!  
Written Representation

II. Evaluating Response to inquiries is Integral part of Audit

(New)

provide info. not previously possessed

(Support)

Corroborative audit evidence

(Contradict)

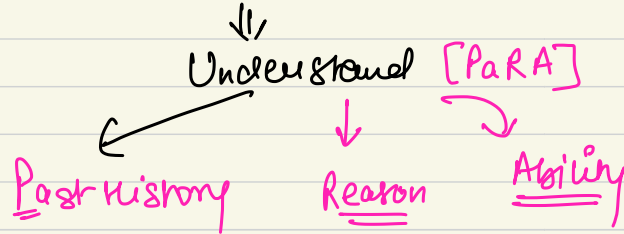
Response significantly differs from info. already obtained by auditor.

Auditor to modify / (?)

perform additional audit pro.

II Info. to support mgt intent maybe limited.

[Eg mgt → 15% of Profits → Bonus to employees]



H.W T40. Q1/2/3

Others Q31      QOTD (5) 16/7/9/10 [Read]

## Audit Procedures

- A nalytical Pro.
- E xternal confirmation
- I nquiry / Inspection
- O bserveration
- Re calc U lation / Re performance

Neeraj  
Sir

# Management Expert

Individual / Organisation <sup>firm</sup>

possessing expertise in field

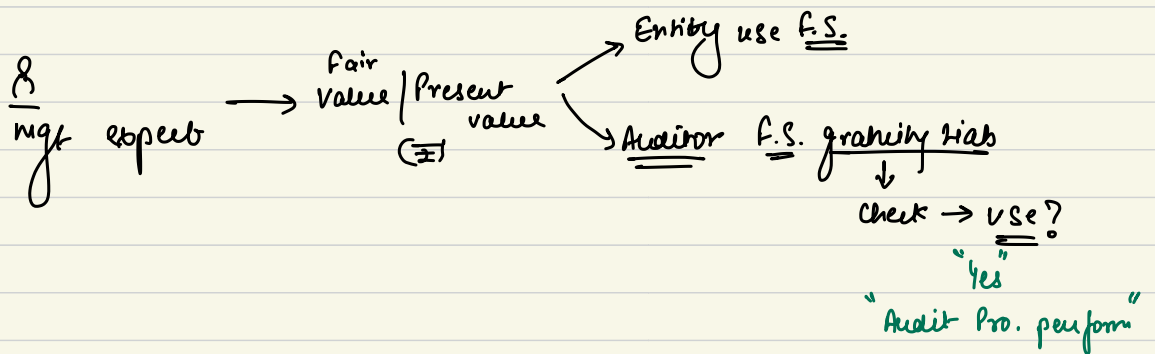
other than

Accounting & Auditing

whose work used by entity  
in preparing f.s.

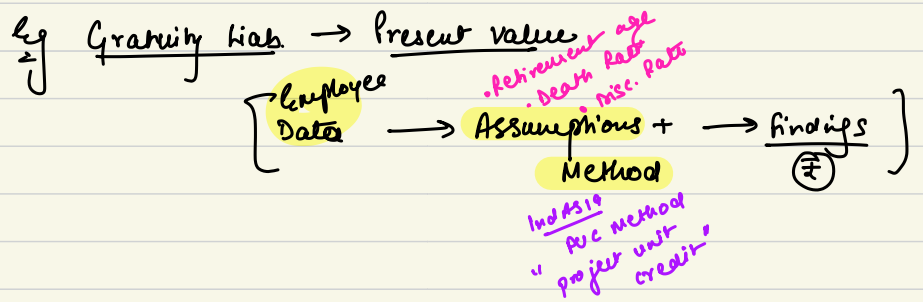
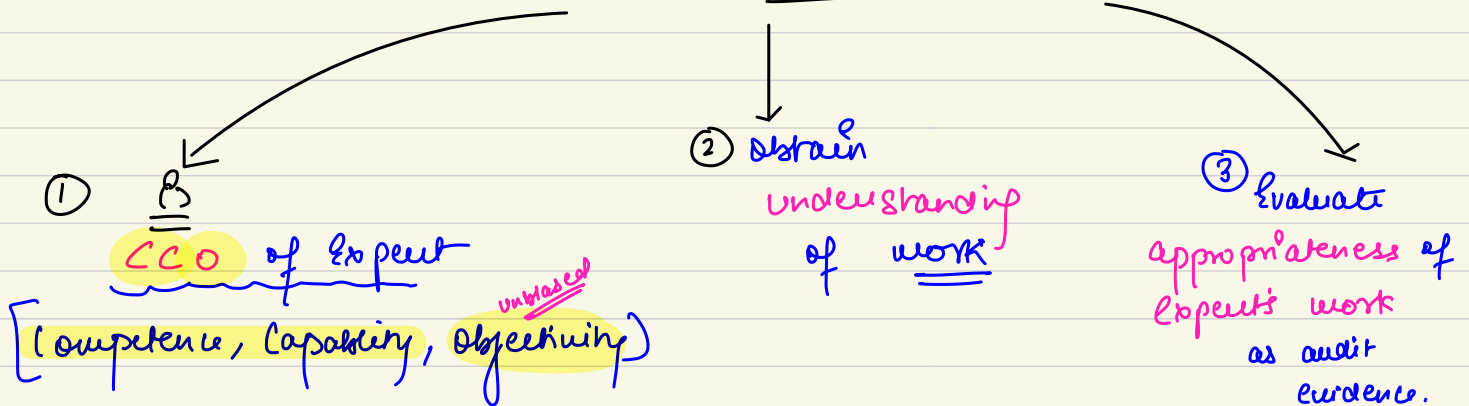
eg AS 10 PPE → Revaluation Model → "fair value" ⇒ Q?  
*valuation expert*

AS 15 Employee Benefit Expenses ⇒ Present value of Defined Benefit Obligations [Probability/Lease Encash] [PVIDBO] ⇒ Q?  
*Achurang*





# "Audit procedures" when using work of mgt expert as Audit Evidence.



## "Matters" affecting NTE of Audit Pro. when using work of mgt. Expert

- ① Nature & Complexity of matter
- ② ROM in matter
- ③ Availability of alternate source of evidence (No) ↓ (Mgt Expert Agreement)
- ④ Nature, scope & objective of mgt expert work (+)
- ⑤ whether expert employed by entity or Party engage

key? 100%

(Dom gaye)

Control ⑥ Extent to which entity exercises control over mgt's experts work.

\* Nature & Timing of procedures may be affected by fact that some accounting data/info. maybe  
• Available in "Electronic form"

or

• only at "certain point of time"  
Explain with Examples.

Ans ① Electronic form

Source documents [Purchase orders & Invoices] may exist in electronic form when Entity uses

E-commerce OR may be discarded after scanning.

② Electronic Images not retrievable after period of <sup>access</sup> time

If files are changed & backup files don't exist



As a result of entity's Data Retention Policy.

Auditor?

• Request entity to retain some info. (or)

• perform procedures at time when info available. ✓