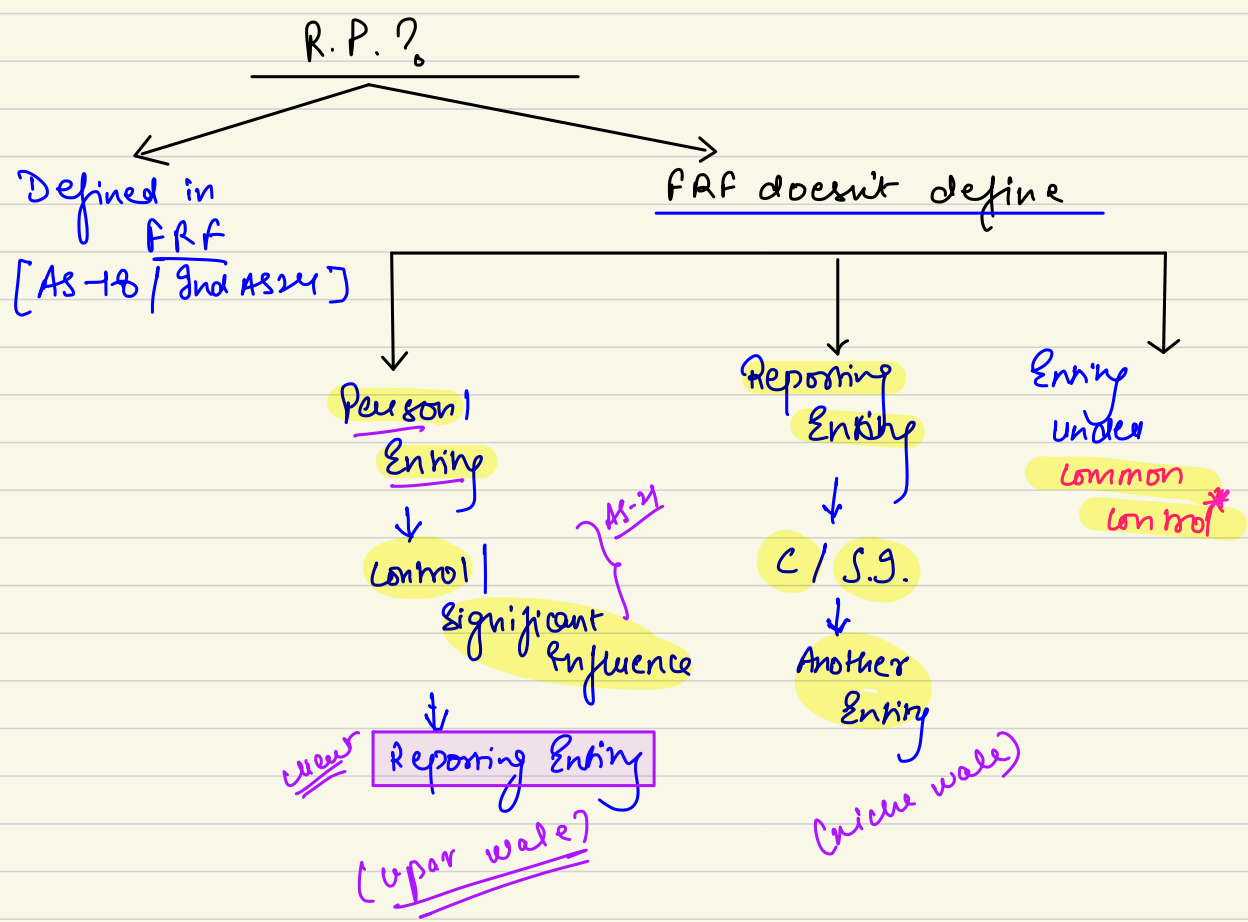
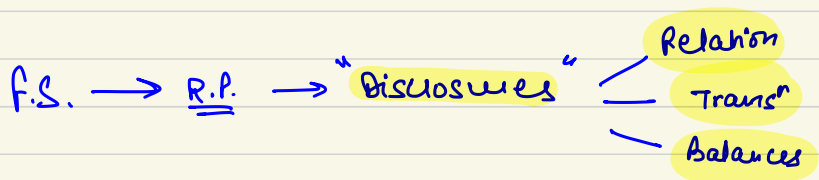


# SA 550: Related Party

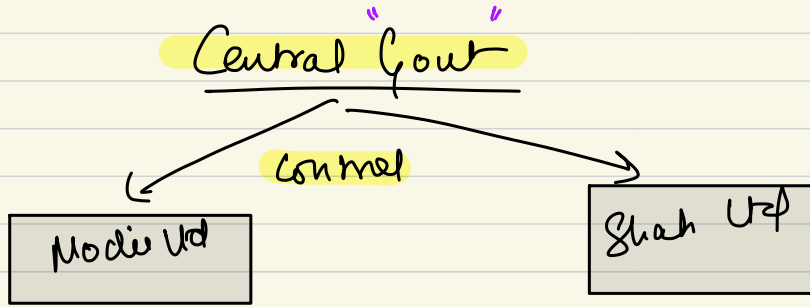
(Simple + Scoring)



## \* Common Control

- common ownership
- owners are close family members.
- common key mgt [key mgt → KMP Eg. MD / CEO / CFO]

Sk Masala =

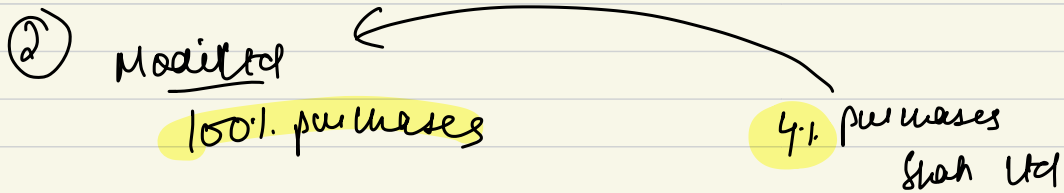
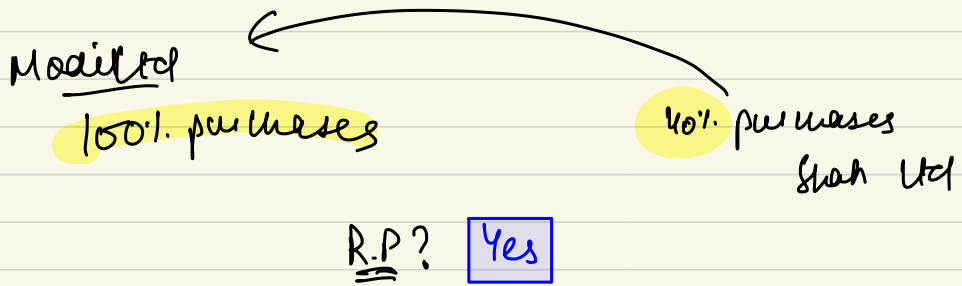


◦ Common Control? Yes

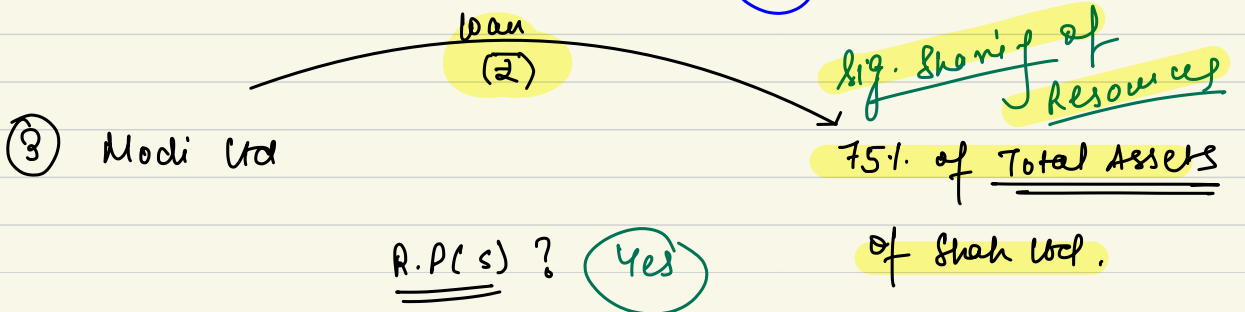
◦ Are they R.P(s)? ~~Yes~~ No unless ◦ engage in significant trans<sup>n</sup>

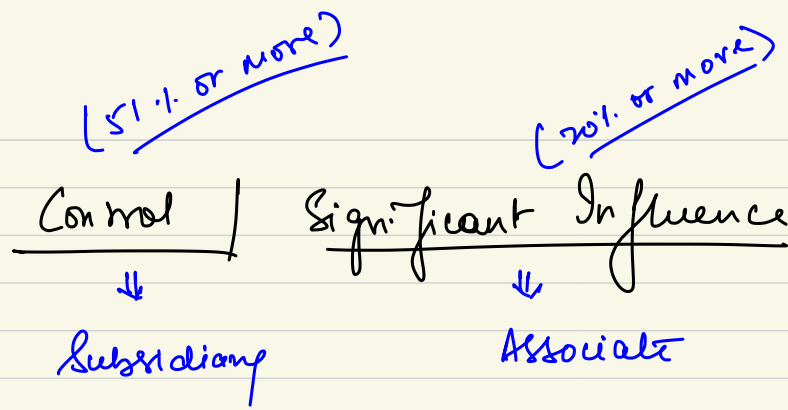
OR  
◦ Share significant resources  
with one another.

kg  
#  
①

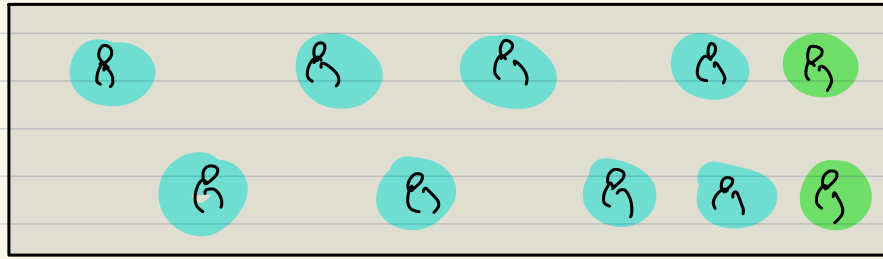


R.P(s) ? No





Raju Ltd  
Control  
 [Power to govern]



Shyam Ltd  
Sig. influence  
 [Power to participate]

Banerao Ltd [Board of Directors]

↓  
Shares?

⊕ L/R + Contract/Agreement  
 Eg borrow bank

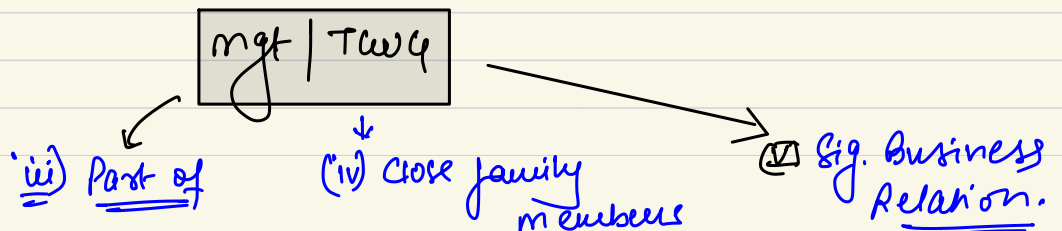
Relationships indicate presence of "Control/Sig. influence"

3/4M

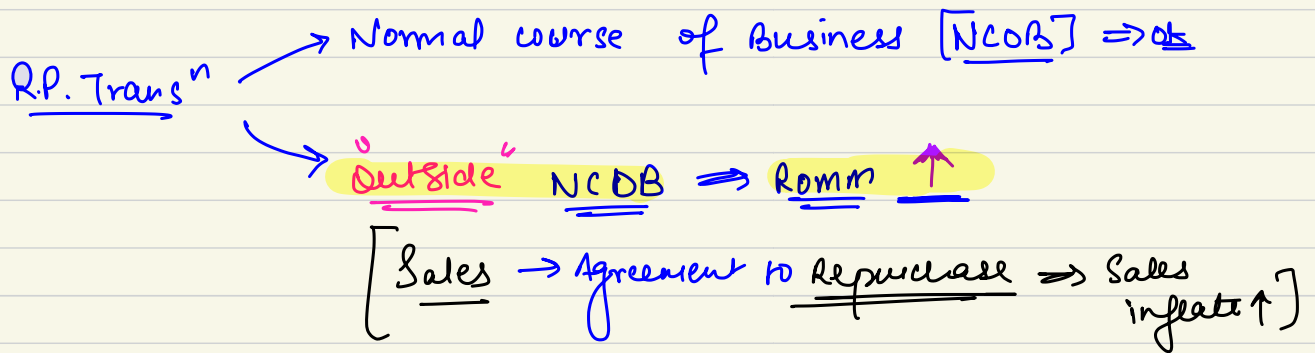
i) Direct/Indirect → Equity holding / other financial intt in the entity. (upar wale)

ii) Entity's holding (direct/indirect) Equity / other fin. intt in other entities (niche wale)

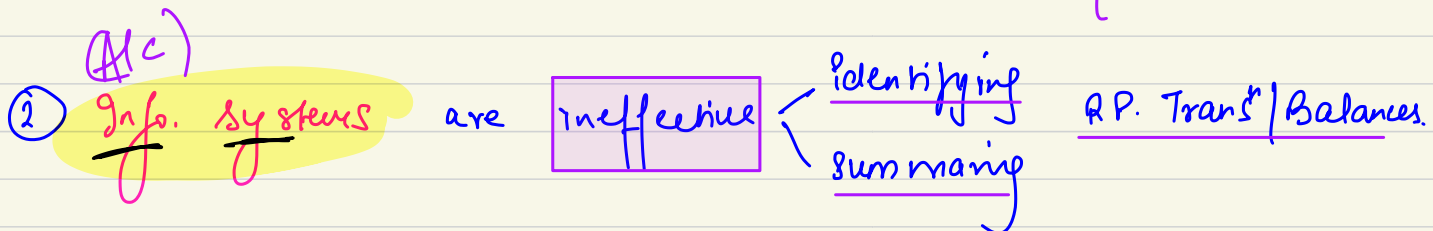
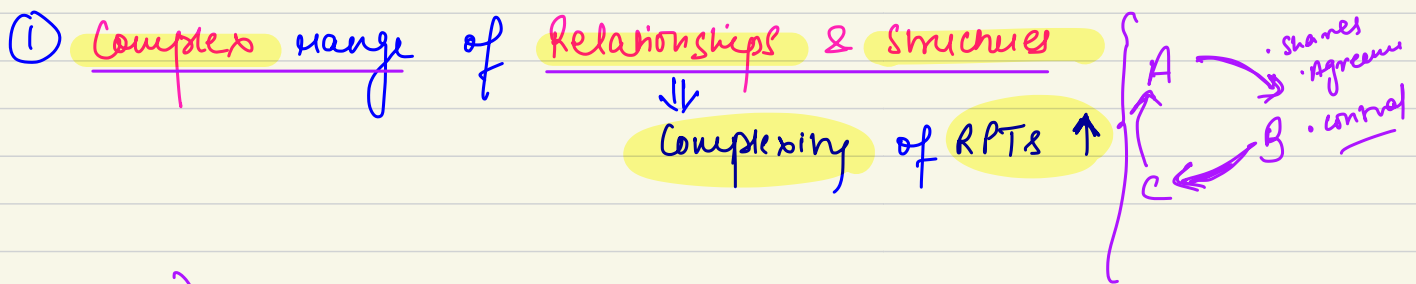
1/min



# Nature of R.P. Relationships & Trans<sup>n</sup>

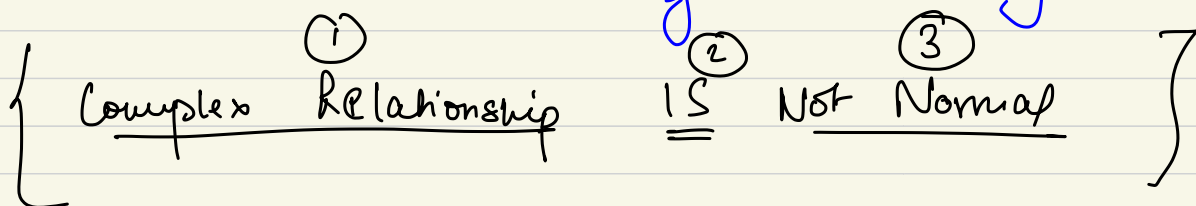


Circumstances [ROMM ↑] THAN Trans<sup>n</sup> with unrelated parties.

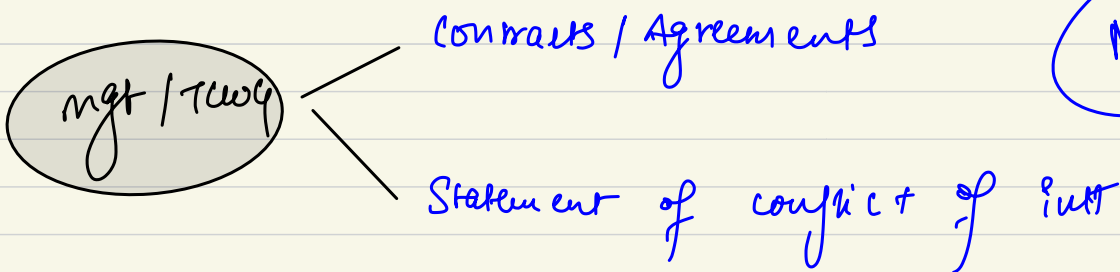
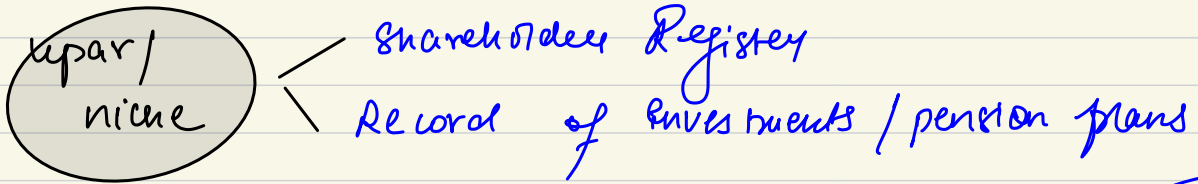
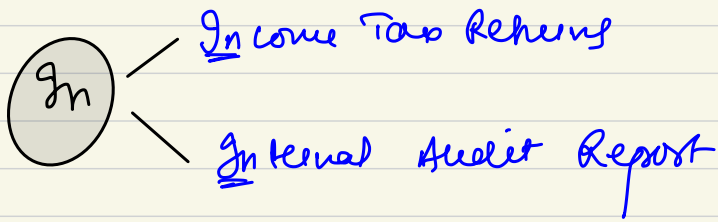


③ RPTs Not under Normal market Terms & Cond<sup>n</sup>

(Eg sales at heavy discount)

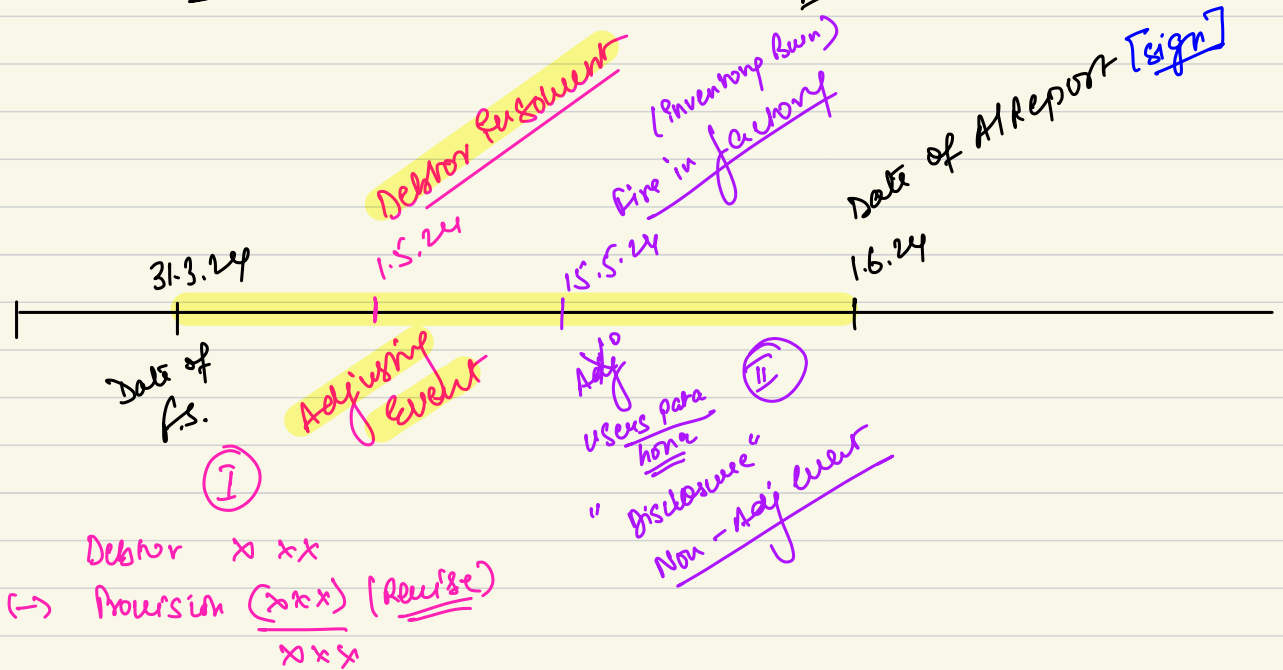


Q How can Auditor verify existence of R.P. (S)?



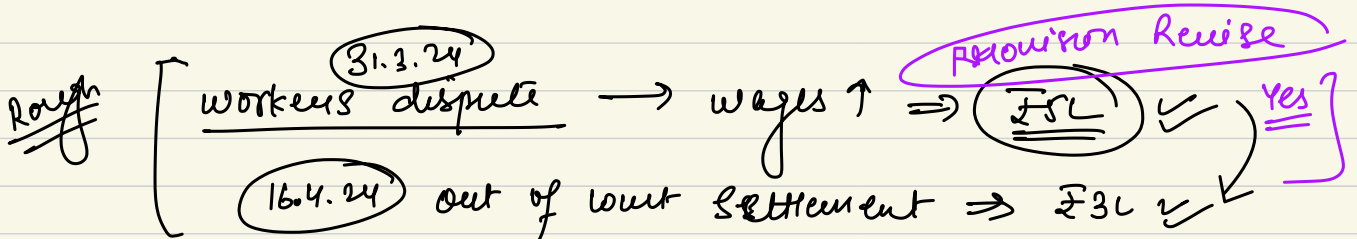
NOTE + Recall  
Main  
DSD  
oo  
C

# SA 560 : Subsequent Event



eg Adjusting Events [Events provide evidence about cond<sup>n</sup> existed on date of FS.]

- Insolvency of Ors [Evidence of recoverability of money due from debtors]
- Settling legal claim outside court at reduced amount → evidence of provision for FS.



eg of [disclosure  $\leq$ ] Non Adjusting Event [Events  $\rightarrow$  Evidence of Cond<sup>n</sup> arose "after" date of Ps.]

- Issue of "New" share capital.
- "Destruction" of inventory due to fire.
- Planned "merger" of Co.

♀ Auditor  $\rightarrow$  what should I do?

"Audit Procedures"

SAAE  $\rightarrow$  Events (Adj. / disclosure reqd.)  $\rightarrow$  Identified

- Understand mgt's procedures  $\rightarrow$  identify such events

(ISA 501)  
(A019)

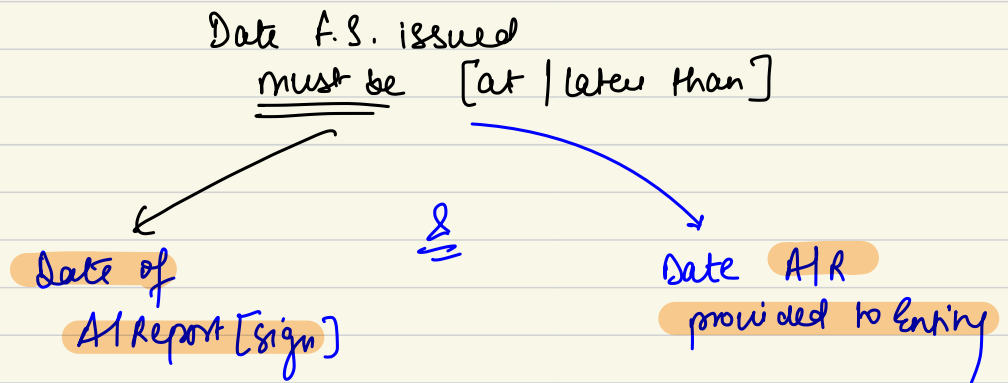
- Inquiring  $\rightarrow$  Event occur?
- Read  $\rightarrow$ 
  - N.O.M [meetings held after / before date of Ps.]
  - Latest subsequent Interim Ps. ; if available (eg Qtr)

Identify  $\rightarrow$  E [A/D]  $\rightarrow$  check Ps.  $\rightarrow$  Adjusted / Disclosed /

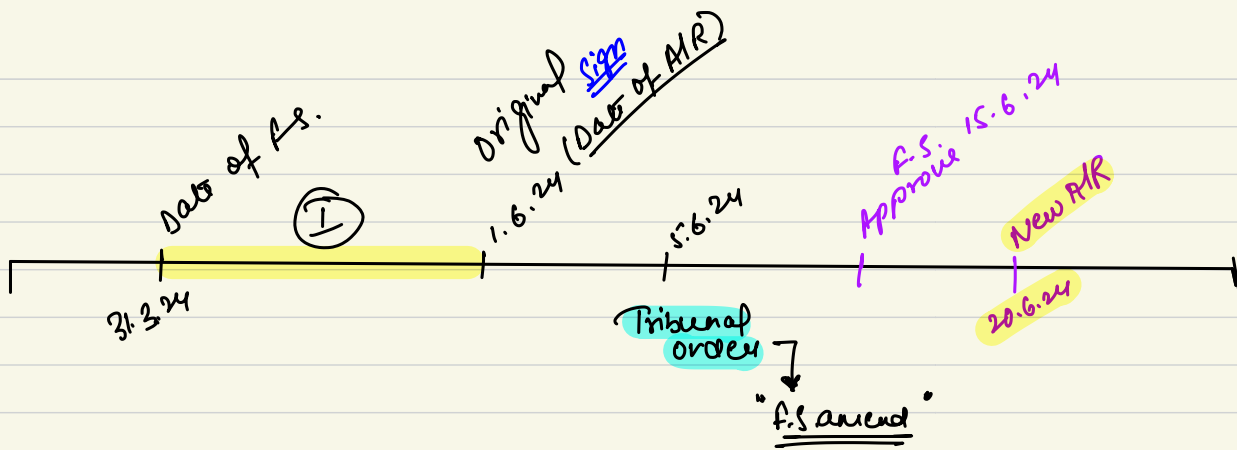
- W.R. [mgt / their] All events require (A/D) in Ps. have been adjusted & disclosed

Date F.S. are Issued

- Date [F.S. + A/Report] made available to 3rd parties.







• "No obligation" after date of AR report.

• Fact becomes known to Auditor → known earlier  
↓  
Amended AR report

Remains

Discusses matter with mgt & TCWC.

Determine if F.S. need amendment & if "yes"

Inquire how mgt plans to address this matter.

(mgt amend F.S.)

(option 1)

✓ Audit Pro. → F.S. amendment

[Eg Tribunal order]

• Extend Pro. to date of new AR

• New AR not be dated before approval of F.S.

(option 2)

if LIR

allows mgt  
Restrict F.S. amendment  
to subs. event [Tribunal order]

Audit Procedures "Restricted"  
only to amendment.

(user to kaise pata?)

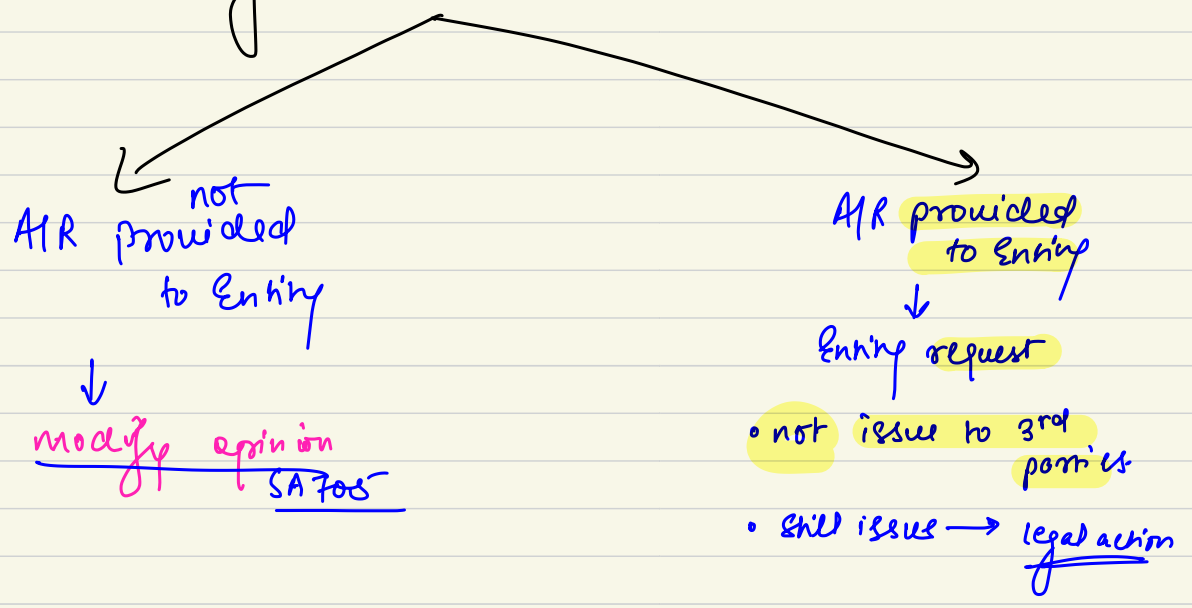
Dual Dating (OR)

Audit Report  
add date [1.6.24 + 20.6.24]

Em/om para

[Emphasis of matter/ other]

[mgt doesn't amend f.s.]



# A260 Communication with TCWG

## Role of Communication

Effective 2 way communication is important.

① Auditor & TCWG understand matters related to Audit & develop constructive working relationship

②

Auditor obtains

AE

Info. relevant to Audit

by

understanding entity,

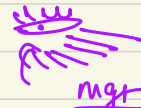
Identify sources of evidence,

Info on trans<sup>n</sup> / events etc.

③

TCWG fulfill

Responsibility to



mgt  
f.s. Bana  
Rahi

Oversee financial

Reporting process

Increase

Reduce

Romm in fs.

~~Normal~~ TCWG velle? (No)

# Significant Finding from Audit [4<sup>x</sup>]

① Significant Qualitative Aspects of A/c Practices

(TCWG ke matras)

A/c policies

A/c Estimates

Disclosures

(Apne dukh dard)

② Significant difficulties, if any in Audit.

③ Significant matters discussed with mgt

WR(s) auditor is requesting.

④ Circumstances affect form & content of Audit Report

[<sup>eg</sup> modified opinion (SAD) / Com/OM / MURC / KAM]  
706 (S70) 701

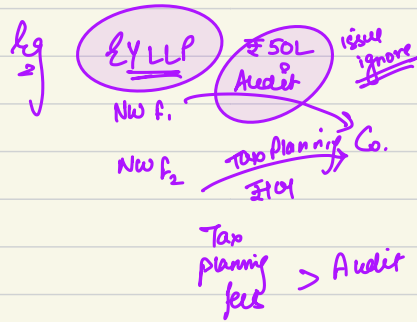
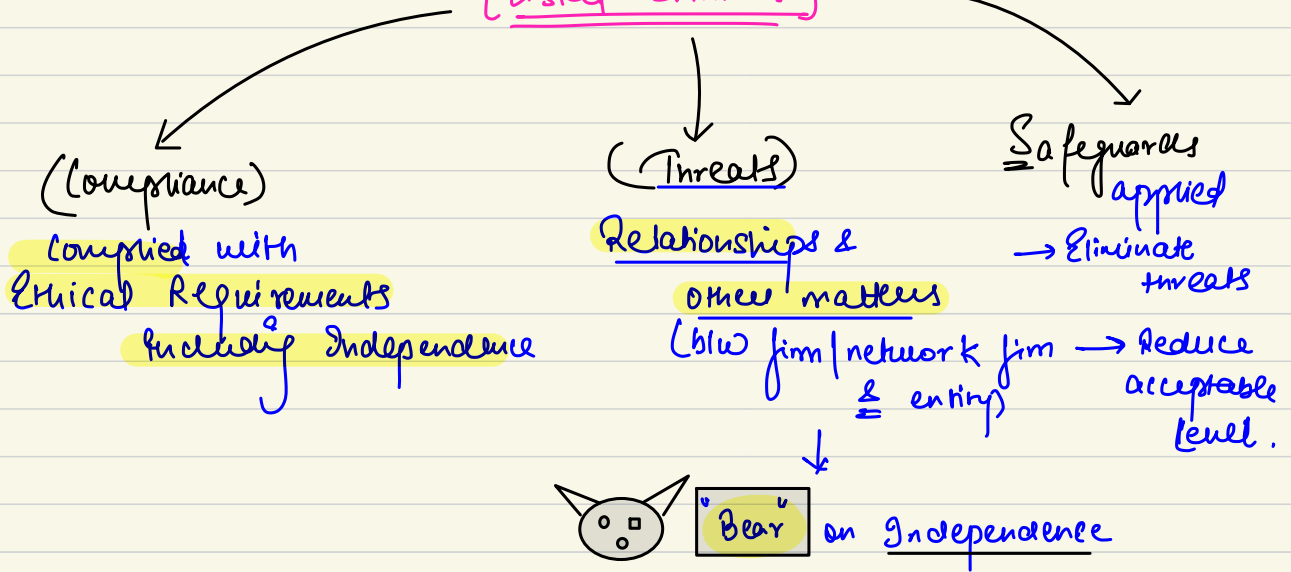
Treasury Memt

SA 210 ← Content of Engg letter

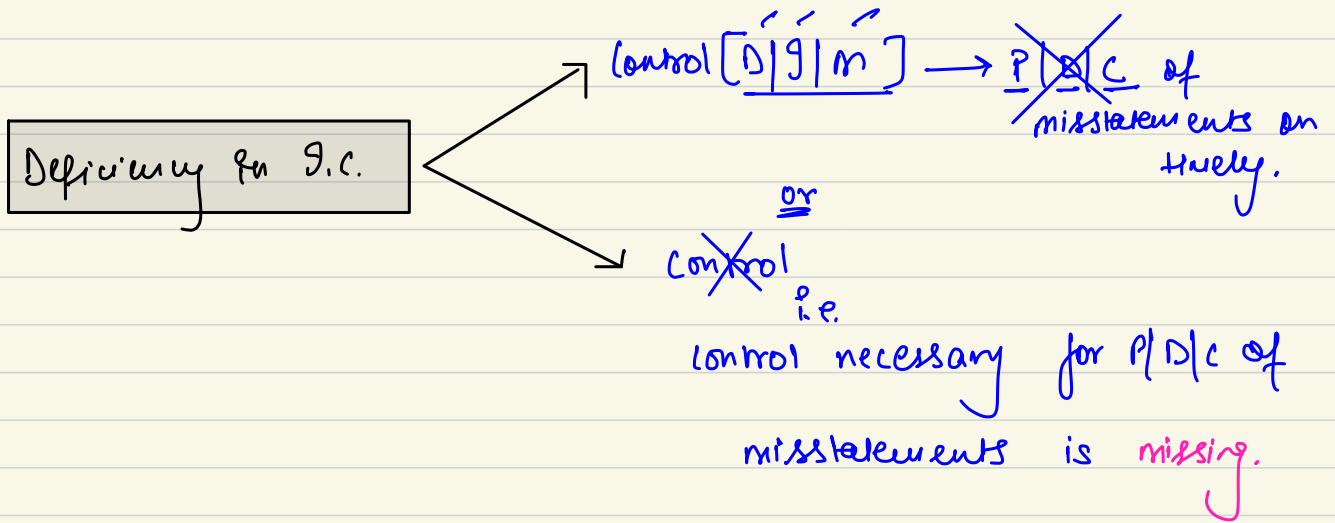
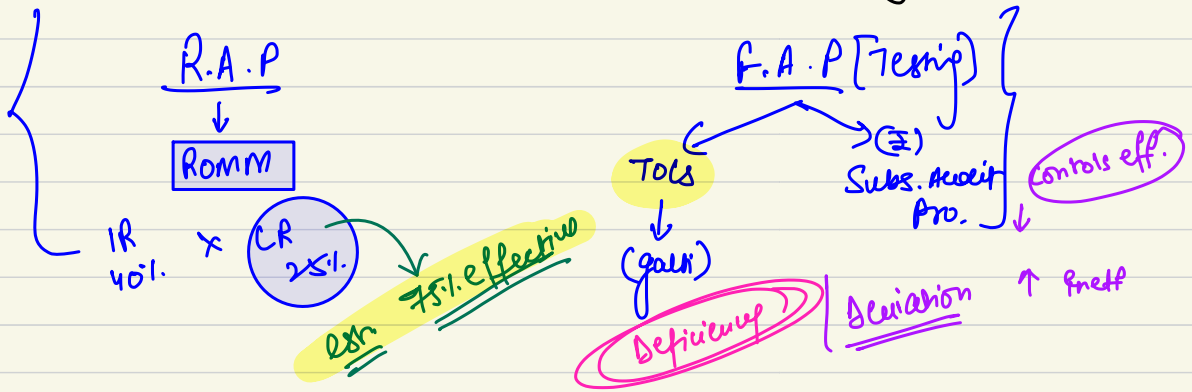
⑤ Any other significant matter.

# Auditor's Independence

[Listed Entities]



SA 265 "Communicating Deficiencies in I.C.  
to TCWY & mgmt"



Significant Deficiency [Aisi deficiency hai, jiske baare mein TCWY ko pata hona chahiye]

Deficiency or combination of deficiencies in I.C.

→ In auditor's P.J.

→ Sufficient Importance

→ to merit attention of TCWY.

Communicating S.D. in Writing to TCW on timely Basis

① Description of deficiencies ②

potential effects

{ eg unauthorised POs → unauthorised/fictitious purchases → losses to Entity }

② Sufficient Info.\*

to understand context of communication.

\* Explain: ① Purpose of audit to express opinion on fs.

ToC?

② Auditor considered controls relevant to fs.

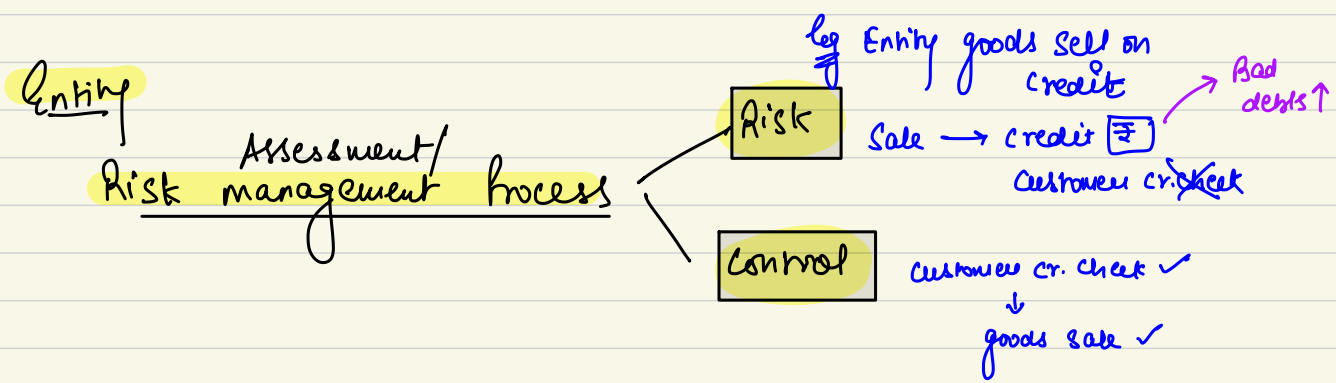
to design audit procedures (Subs Pro)

Not for expressing opinion on GLs.

Not all deficiencies!!

③ Matters Reported are limited to deficiencies

Auditor Identified ② concluded Sufficient importance to merit attention of TCW.



① Deficiency → Examples of S. D. ♡

② Khushboo → Indicators → SA Hoski