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AUDIT-95

CA Final & CA Inter Audit

Abki Baar Audit Mei Exemption Paaar!



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AIR 5,6,32

*Free Revision
Videos &
Notes*

Brief about Author

- All India Ranker at all 3 levels of CA
- Scored 95 Marks in Audit - Highest marks in history of ICAI till Nov 23
- Articleship at KPMG, Mumbai in Statutory Audit Domain
- Industrial Training at DBS Bank

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SAE 3420 - Assurance Engagements to Report on Compilation of Pro Forma Financial Info (PFFI) Included in Prospectus

<ul style="list-style-type: none"> • SAE 3420 applies where such reporting is required by securities exchange or if it is generally accepted practice in jurisdiction where prospectus is issued • Purpose of PFFI is solely to demonstrate impact of transaction on unadjusted financial info as if they had occurred at earlier date. It does not represent actual financial info 	<p>Compilation Steps of PFFI</p> <ul style="list-style-type: none"> • Identifying source • Extracting unadjusted financial info from that source • Making pro forma adjustments to unadjusted financial info & • Presenting PFFI with disclosures
<p>Engagement Acceptance</p> <ul style="list-style-type: none"> • Determine if practitioner has capabilities & competence to perform engagement • Evaluate wording of opinion prescribed by L&R to determine if practitioner will express such opinion based on performing procedures • On basis of preliminary knowledge & discussion, determine if criteria is suitable & it is unlikely that PFFI will be misleading • Where sources has modified audit opinion or review conclusion or EOM para, consider if L&R permits use/reference in report of modified opinion or conclusion or EOM para • If entity's historical info is never audited or reviewed, consider if practitioner can obtain sufficient understanding of entity & its FR • If transaction includes acquisition & acquiree's historical financial info is never audited or reviewed, consider if practitioner can obtain sufficient understanding of acquiree & its FR • Obtain agreement of responsible party for its responsibility for - <ul style="list-style-type: none"> ○ Compiling PFFI on basis of criteria & ○ Adequately disclosing & describing criteria to users if not publicly available ○ Providing practitioner with - <ul style="list-style-type: none"> ▪ Access to all info (including of acquiree) ▪ Additional info that he may request ▪ Access to person within entity & entity's advisors from whom practitioner obtains evidence ○ When needed, access to individuals within acquiree in business combination 	<p>Practitioner's Responsibility</p> <ul style="list-style-type: none"> • To report, if PFFI has been compiled by responsible party on basis of applicable criteria & if criteria provides reasonable basis for presenting effects of transaction • Criteria may be established by authorized org or L&R. If do not exist, then developed by responsible party <p>Planning & Performing Engagement - Practitioner shall</p> <ul style="list-style-type: none"> • Understanding how responsible party has compiled PFFI • Obtain evidence for source appropriateness • If there is no audit or review report on source, perform procedures to be satisfied that source is appropriate • Determine if responsible party has appropriately extracted unadjusted financial info from source • Assess if applicable criteria is suitable • Consider materiality for evaluating if PFFI has been compiled as per criteria • Obtain evidence for appropriateness of pro forma adjustments, including Adjustments to unadjusted financial info that - <ul style="list-style-type: none"> ○ Illustrate impact of significant transaction as if it had occurred at earlier date & ○ Are necessary for PFFI to be compiled as per AFRF & it's a/cing policies • Evaluate presentation of PFFI • Read other info in Prospectus to identify material inconsistencies with PFFI

Written Representations

- In **compiling** PFFI, responsible party has **identified** all **pro forma adjustments** to illustrate impact of transaction &
- **PFFI** has been **compiled** on basis of **applicable criteria**

Opinion

Unmodified Opinion

When **PFFI** has been **compiled**, in all material respects, by responsible party on **basis of applicable criteria**

Modified Opinion

- Where **L&R precludes** (prohibits) publication of prospectus containing **modified opinion**, Practitioner shall **discuss** with **responsible party**. If responsible party does **not agree** to make **changes**, he shall -
 - **Withdraw** from engagement or
 - Consider seeking **legal advice**
- Where **L&R may not preclude** publication of **prospectus** containing **modified opinion**, Practitioner shall **express modified opinion**

EOM Para

EOM Para is included in report provided practitioner has obtained **SAAE** that **matter does not modify opinion**

Elements of Report

- **Title** - Independent assurance report
- **Addressee** as per terms
- **Introductory para that identify**
 - **PFFI**
 - **Period or date** of PFFI &
 - **Source** & if **audit or review report** on such source is published
 - Reference to **criteria & source** of criteria
- Statement that **responsible party** is responsible for **compiling PFFI** on basis of **criteria**
- Description of **practitioner's responsibilities**, including -
 - To **express opinion** about if PFFI has been compiled, in all material respects, on basis of criteria
 - He does **not provide** any **assurance** that **actual outcome** of transaction at earlier date would have been **as presented**
 - That he is **not responsible** for **reissuing reports** on **historical** financial info used, **nor** he has performed **audit** or review of **financial info used** in compiling PFFI
- Statement that engagement was **performed as per SAE 3420**
- Statements that -
 - **Reasonable assurance** engagement to report on PFFI involves procedures to assess if **criteria** provides **reasonable basis** & to obtain **SAAE** about if -
 - Pro forma **adjustments** give **appropriate effect** to criteria
 - PFFI reflects **proper application of adjustments** to unadjusted financial info
 - **Procedures** selected depends on **judgment & understanding** of entity
 - Engagement also involves **evaluating presentation** of PFFI
- Unless otherwise required by **L&R**, **practitioner's opinion** wording that -
 - **PFFI** has been **compiled**, in all material respects, on basis of **applicable criteria** or
 - **PFFI** has been **properly compiled** on basis stated
- Practitioner's **signature**
- **Date** of report &
- **Place** of signature