



Ch 10
PARAM

10 | Review of Financial Information

Part 1- SA 2400

QNO 2400.100	Audit of Quarterly Financial Statement as per Special Purpose Framework TITANIUM CNO -- SRE 2400.020	New Course -- (SM23)
Answer	<p>Roma Limited has entered into a contract with Dorma Limited. There is a condition in the contract by virtue of which Roma Limited is required to get its financial statements reviewed for a year on a quarterly basis in accordance with the financial reporting provisions of the contract. Can Roma Limited get its financial statements reviewed from a professional accountant in practice?</p> <p>1. SRE 2400: Reference to SRE 2400, its full name & its applicable in the given scenario. 2. Concept: In a review of financial statements, the practitioner expresses a conclusion designed to enhance the degree of confidence of intended users regarding the preparation of an entity's financial statements in accordance with an applicable financial reporting framework. Such financial statements may have been prepared using a general purpose framework or special purpose framework. 3. Case Discussion: Discuss Case 4. Conclusion: Financial statements are prepared under a special purpose framework as per contract requirements. A professional accountant in practice can review these statements. The accountant may issue a review report in accordance with SRE 2400.</p>	

QNO 2400.200	Additional Procedures TITANIUM CNO -- SRE 2400.020 2400.120	New Course -- (SM23)
Answer	<p>You are conducting a review of the financial statements of a company. It is gathered upon inquiry that there is a possibility of material misstatements in financial statements. Discuss, how you would proceed further in the matter under SRE 2400.</p> <p>If the practitioner becomes aware of matters that causes the practitioner to believe the financial statements may be materially misstated, the practitioner shall design and perform additional procedures sufficient to enable the practitioner to:-</p> <p>(a) Conclude that the matter(s) is not likely to cause the financial statements as a whole to be materially misstated or (b) Determine that the matter(s) causes the financial statements as a whole to be materially misstated.</p> <p>Additional procedures focus on obtaining sufficient appropriate evidence to enable the practitioner to form a conclusion on matters that the practitioner believes may cause the financial statements to be materially misstated. The procedures may be:</p> <ul style="list-style-type: none"> Additional inquiry or analytical procedures, for example, being performed in greater detail or being focused on the affected items (i.e. amounts or disclosures concerning the affected accounts or transactions as reflected in the financial statements); or Other types of procedures, for example, substantive test of details or external confirmations. 	

QNO 2400.300	Why "Inquiry" and "Analytical procedures" TITANIUM CNO -- SRE 2400.120	New Course -- (SM23)
Answer	<p>Discuss why "inquiry" is important as an audit procedure in an engagement to review financial statements.</p> <p>Why "Inquiry" and "Analytical procedures" are important in Review? Management Intent: 1A. Evidence for management intent: Evidence obtained through inquiry is often the principal source of evidence about management intent. However, information to support management's intent may be limited. 1B. Corroborate evidence obtained: Understanding management's past history, reasons for actions, and ability to pursue actions may corroborate evidence obtained through inquiry. 1C. Professional Scepticism for evaluation: Application of professional scepticism in evaluating responses from management is crucial to determine potential material misstatements in the financial statements. 2. Understanding the Entity and its environment: Performing inquiry procedures assists in obtaining or updating the practitioner's understanding of the entity and its environment, helping identify areas of potential material misstatements in the financial statements.</p>	

QNO 2400.400	Date of report TITANIUM CNO -- SRE 2400.200	New Course -- (SM23)
Answer	<p>What is significance of "date of report" in a review report?</p> <p>Date of the Practitioner's Report: Dated no earlier than the date on which sufficient appropriate evidence has been obtained, including confirmation that all statements have been prepared and responsibility has been asserted.</p>	

Part 2 SA 2410

QNO 2410.100	Updating Understanding of Company TITANIUM CNO -- SRE 2410.040	New Course -- (SM23)
Answer	<p>CA. Aditya Jain is auditor of a listed company. He is also required to carry out quarterly review of financial statements of company in terms of regulatory requirements. He is already well-versed with business of company and has deep understanding of the company. Discuss, any five procedures by which he can update his understanding of the company for carrying out quarterly.</p> <p>Updating Understanding for Interim Review: In planning a review of interim financial information, the auditor updates this understanding. The auditor also obtains a sufficient understanding of internal control as it relates to the preparation of interim financial information as it may differ from internal control as it relates to annual financial information.</p> <p>Updating Understanding. 1. Review of Past Records and Information: - Reviewing documentation from the preceding year's audit and reviews of prior interim period(s) of the current year and corresponding interim period(s) of the prior year - Reading the latest annual and prior period interim financial data. - Considering significant risks from the prior year's audit. - Assessing corrected and uncorrected misstatements from the prior year. - Evaluating continuing significant financial accounting matters. 2. Assessment and Consideration of Current Year's Information: - Performing audit procedures for the current year's financial statements. - Assessing materiality for interim financial information. - Evaluating results of internal audits and management's subsequent actions. 3. Inquiries and Communication with Management: - Inquiring about management's assessment of fraud risks. - Discussing changes in the entity's business activities. - Discussing significant changes in internal control and their impact on interim financial information preparation. - Understanding the process and reliability of the interim financial information preparation.</p>	

QNO 2410.200	Subsequent Events TITANIUM CNO -- SRE 2410.060	New Course -- (SM23)
Answer	<p>CA. Pankaj Chaturvedi has issued a review report dated 28.7.2022 for financial results of a company for quarter ending 30.6.2022. Describe his responsibility, if any, for events occurring from 1.7.2022 till date of review report in accordance with SRE 2410.</p> <p>Subsequent Events (SA 560) Up to date of review Report: The auditor should inquire whether management has identified all events up to the date of the review report that may require adjustment or disclosure in the interim financial information. After the date of review report: It is not necessary for the auditor to perform other procedures to identify events occurring after the date of the review report.</p>	

QNO 2410.300	Material Adjustment in Financial Statement TITANIUM CNO -- SRE 2410.160. 2410.140	New Course -- (SM23)
Answer	<p>CA. Seerat is conducting review of the quarterly financial information of a company of which she is also auditor. She believes that it is necessary to make a material adjustment to the quarterly financial information for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. She has communicated the matter to CFO and audit committee. However, no response was received even after waiting for a reasonable time. What are the options available to her?</p> <p>In such a case, options available to her in accordance with SRE 2410. What are the options available to her?</p> <p>(a) Whether to modify the report or (b) The possibility of withdrawing from the engagement and (c) The possibility of resigning from the appointment to audit the annual financial statements.</p>	

QNO 2410.400	Emphasis of Matter Paragraph TITANIUM CNO -- SRE 2410.180	New Course -- (SM23)
Answer	<p>During review of quarterly results of a company of which you are auditor, it is gathered on inquiries made that there has been a major fire in fabric processing plant of the company during the quarter. It has resulted in massive disruption in operations of the company. Worse still, machinery and inventories of plant were uninsured due to carelessness of concerned staff leading to substantial losses. The matter has been disclosed in interim financial information appropriately. Discuss, how you would proceed to deal with the same in review report?</p> <p>Uninsured assets in a disaster are examples of events or conditions that, individually or collectively, may cast significant doubt about the going concern assumption. As a result of fire, there is massive disruption in operations of the company. Besides, the company would have to bear losses as its damaged assets are uninsured.</p> <p>In accordance with SRE 2410, if, as a result of inquiries or other review procedures, a material uncertainty relating to an event or condition comes to the auditor's attention that may cast significant doubt on the entity's ability to continue as a going concern, and adequate disclosure is made in the interim financial information, the auditor modifies review report by adding an emphasis of matter paragraph.</p> <p>Therefore, Emphasis of matter paragraph should be added in review report.</p>	

Note:	<p>This standard is based on Old ways & terminology of Audit reporting.</p> <p>Earlier EMP or WMP = Modified Report / Adverse / Disclaimer / Disclaim + Modified Opinion That is why they are saying EMP as modified report. Further now a days we put separate section "Material Uncertainty Over Going Concern" but earlier we use to put it in EMP. This is just for better understanding and less confusion. We will have to follow answer as per SA 2410.</p>	
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