

CA Inter Audit – Descriptive Question Discussion

Q. Need for Understanding Entity? Or

Q. Understanding of Entity create frame of reference which will be useful in Planning audit & Exercising proper Judgement? Or

Q. Following are the areas where this knowledge will be helpful through understanding entity?

Q. Understanding of Entity is a continuous process?

Full Conceptual Discussion Video of this Question available on Ytube

<https://www.youtube.com/watch?v=6YHpew-8nbl> (Video Link)



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Answer. **Material - AREAS**

- **Material** - [Determining **Materiality** in accordance with SA 320;]
- **A** - [Considering the Appropriateness of the selection and application of **accounting policies**;]
- **R** - [Assessing **Risks of material misstatement** of the financial statements;]
- **E** - [Evaluating the sufficiency and appropriateness of audit **Evidence** obtained, such as the appropriateness of assumptions and of management's oral and written representations]
- **A** – [Developing expectations for use when performing **Analytical procedures**;]
- **S** – [Identifying areas where **Special audit consideration**]