



**V'Smart
Academy**

CA Inter Audit

FADU 2.0

FULL AUDIT DELIVERED UNIQUELY

Chart Book

AUDIT IN 80 PAGES (approx)

- ◆ Covers Each & every Concept of BHASKAR Regular Notes.
- ◆ Covers all Shortcuts
- ◆ Easy flow for better retention
- ◆ Super Linking Feature
- ◆ 2nd Edition covers 85% of the chapter's
- ◆ Hierarchy based flow charts
- ◆ Full Colourful Charts



Ravi Taori

Snehal Taori

FADU

Audit in 80 Pages

PREFACE

We at Auditguru believe in making consistent efforts in improving our content quality as well as content delivery. We work on the principles of Kaizen i.e. continuous improvement.

It gives us immense pleasure in presenting our **CA Inter FADU Chart Book**. This book will help ease the stress of Audit subject for students.

Whole CA Inter Audit is covered is just 80 pages. This Chart Book is an outcome of more than 1 year of hard work and dedication of the entire Auditguru team and It covers 95% of the entire CA Inter audit course. All 13 Chapter as per ICAI module are covered except CH 6 & Part of CH 13.

We believe that Studying from charts is highly effective. This chart book is suitable for all students irrespective of whether they have studied from Ravi sir before or not. However, If students have also seen our Regular In-depth course or Exam Oriented course, it would be an added advantage. All concepts of **BHASKAR** (our regular notes) are covered in charts in same sequence.

👉 **SUPER LINKING FEATURE:** Cross referencing is given for questions & MCQs to respective Charts also we have given reference of UNIQUE Questions at the end.

The videos covering FADU Charts are available on our **YouTube channel - "Ravi Taori"** and our **Telegram Channel-Auditguru (CA Ravi Taori) (AIR)**.

Students are advised to also cover PARAM Question Bank for best preparation.

I would like to mention my Sincere thanks to **VSMART management. Vishal Bhattad Sir** has always inspired me to become better professor. **Ujwal Bhattad Sir** has been my Mentor on every aspect of teaching & encouraged me to make FADU Chart Book.

I am blessed with best people in my team. They have worked passionately with all enthusiasm. CA Neha Jangra, CA Anjanesh Kanojiya, Vaishnavi, ACCA Akash Hirani. Rohit, Anshul, Devesh, Vaibhav B, Vaibhav R, Sudhir, Rajni, Rahul, Kunal, Nilesh & team of designers.

Lastly but most importantly, we all are thankful to **Snehal Madam**. She is our Fire Fighter, Trouble shooter & my Life Line.

Happy Studying!!!

CA Ravi Taori

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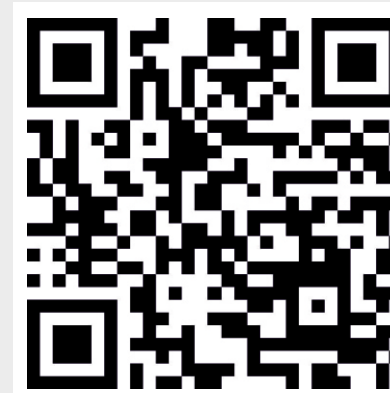
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Discussion points (Ask Doubts)



QR Codes

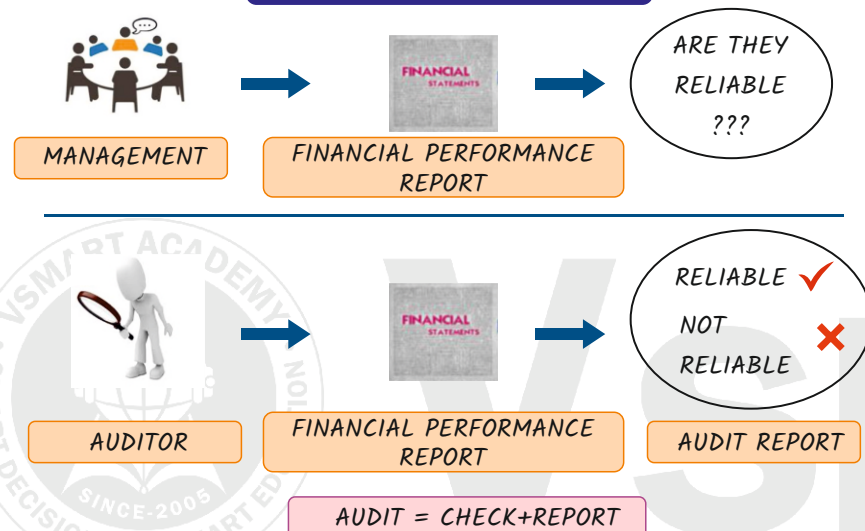
CHAPTER 01

NATURE, OBJECTIVE AND SCOPE OF AUDIT

Part 1 - Introduction to Audit

CNO--INTRO.020

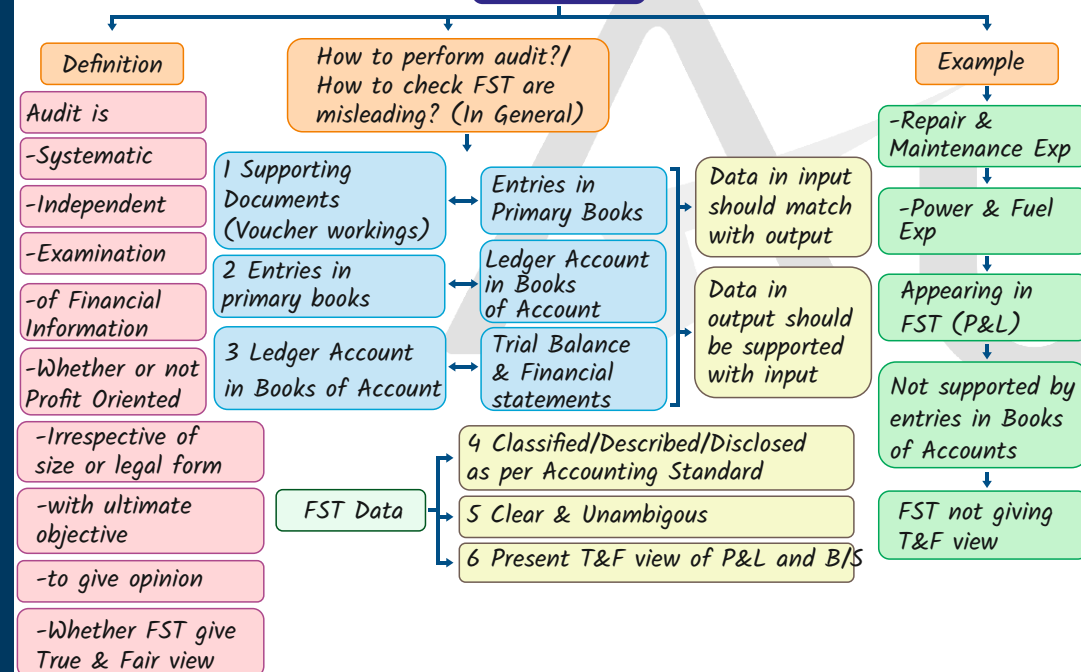
BACKGROUND OF AUDIT



CNO--INTRO.040

(QNO--INTRO.040)

Audit



CNO-INTRO.060

ORIGIN OF WORD AUDIT

LATIN WORDS

AUDIRE - HEAR

AUDITUS - HEARING

AUDITUS COMPOTI - AUDIT



AUDITOR

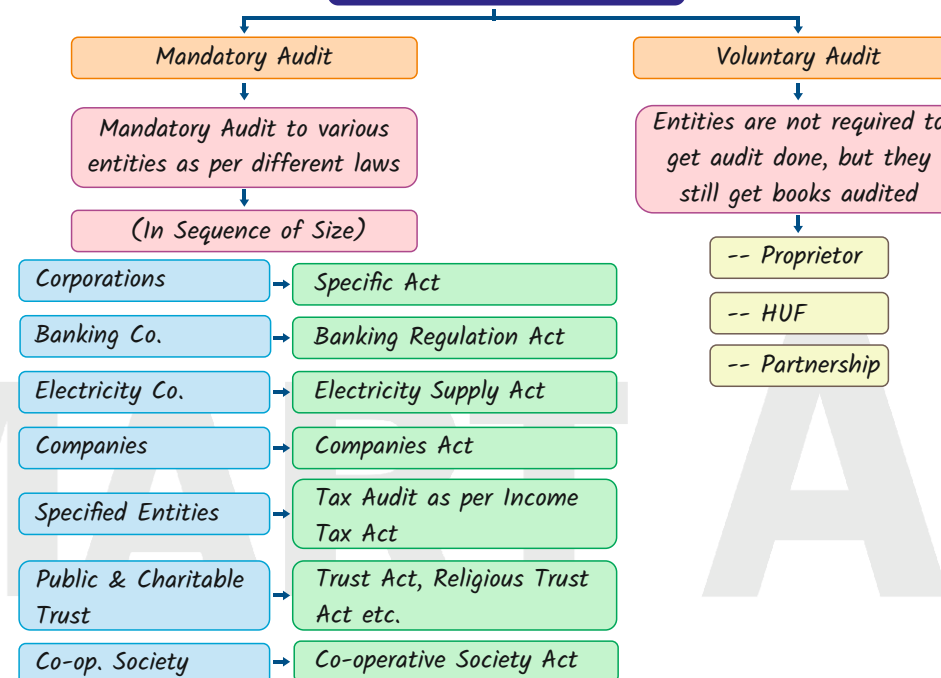


ACCOUNTANT

CNO--INTRO.080

(QNO--INTRO.080)

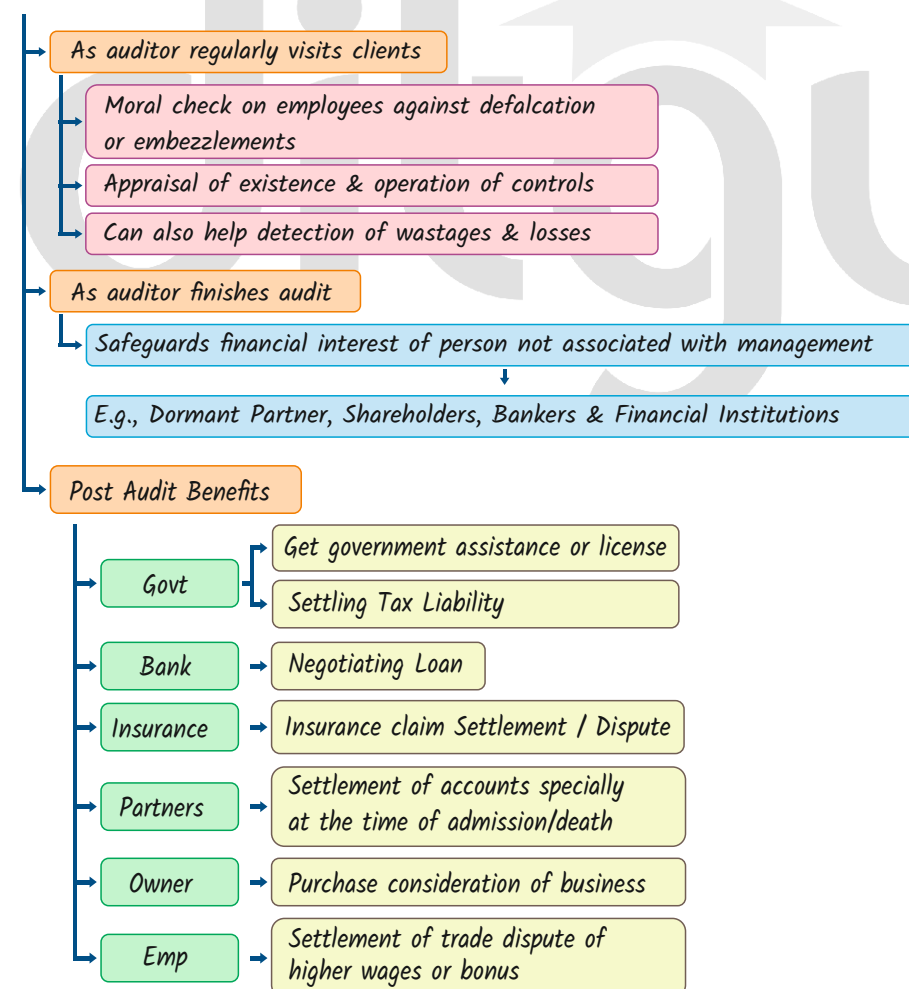
TYPES OF AUDIT



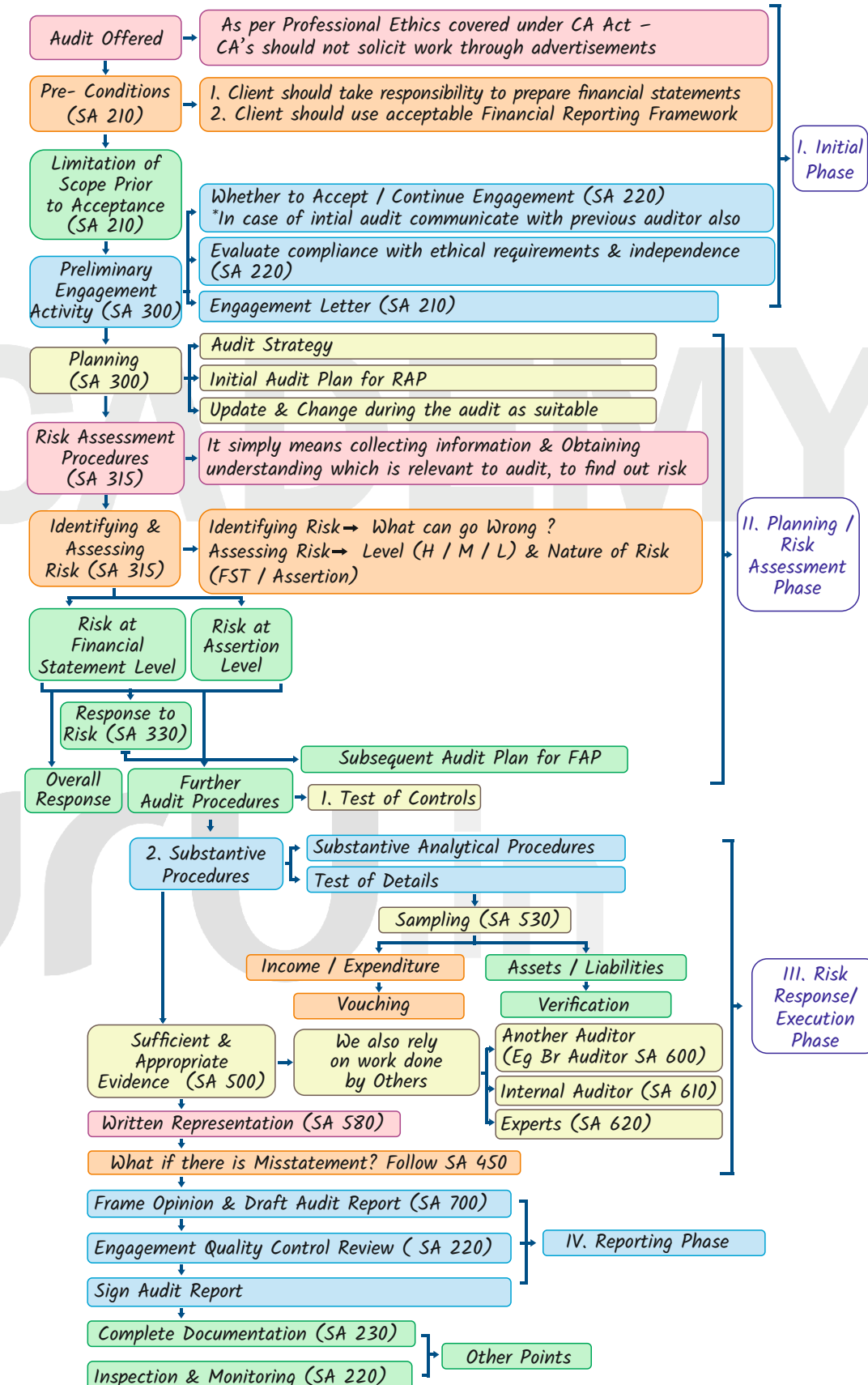
CNO-INTRO.100

(QNO-INTRO.100)

ADVANTAGES OF AUDIT



Part 2 - CORE AUDIT PROCESS

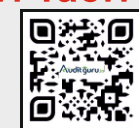


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Doubts

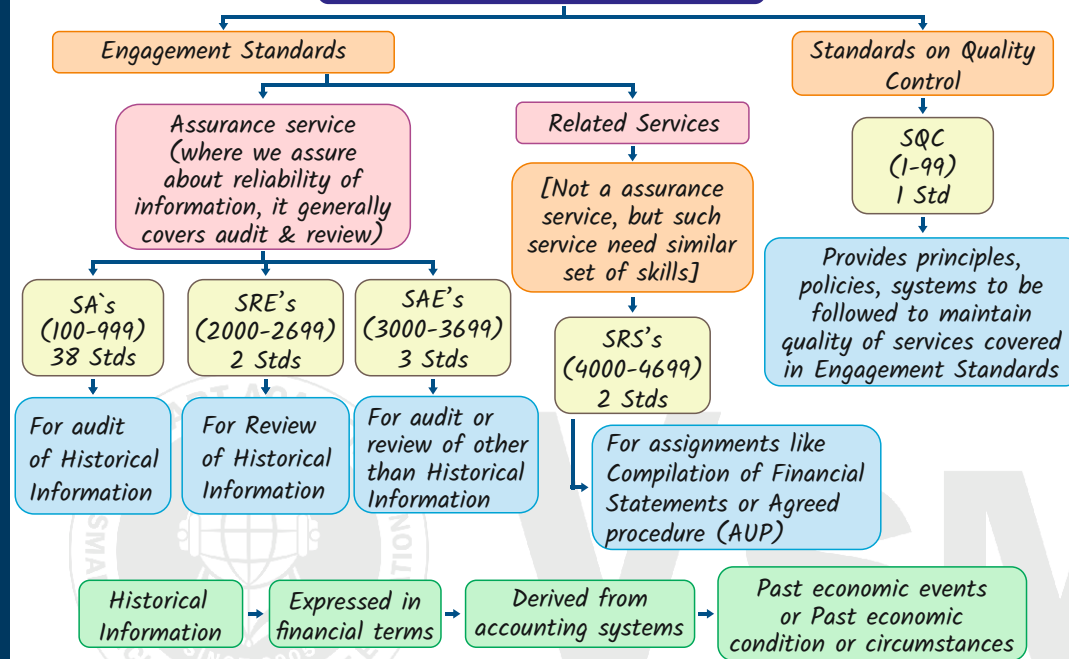


Telegram

Part 3 -- SA Introduction

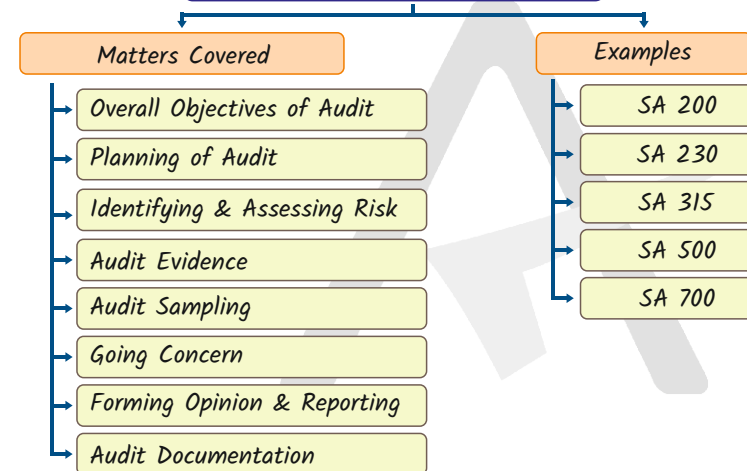
CNO--SAINTRO.060 (QNO--SAINTRO.07,SAINTRO.08)

TYPES OF STANDARDS



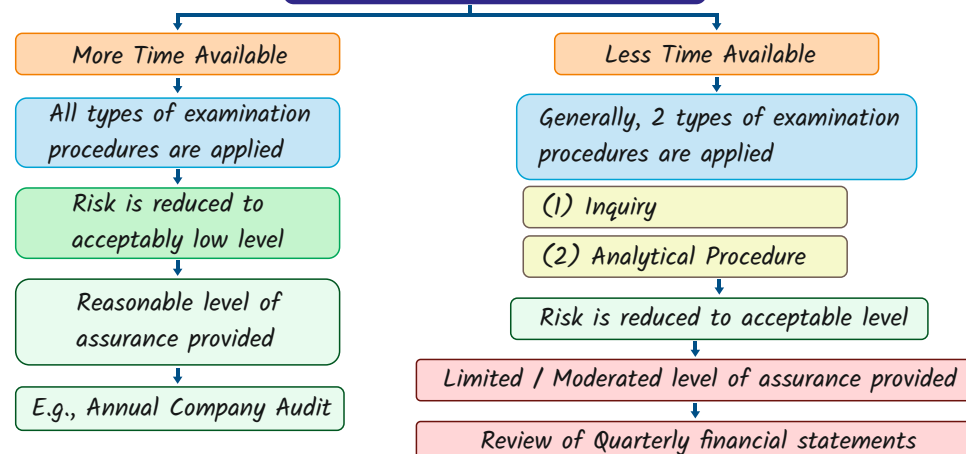
CNO--SAINTRO.62

STANDARDS ON AUDITING

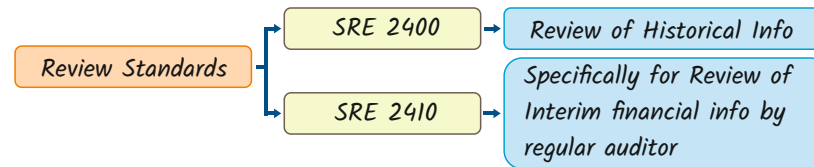


CNO--SAINTRO.64

AUDIT VS REVIEW

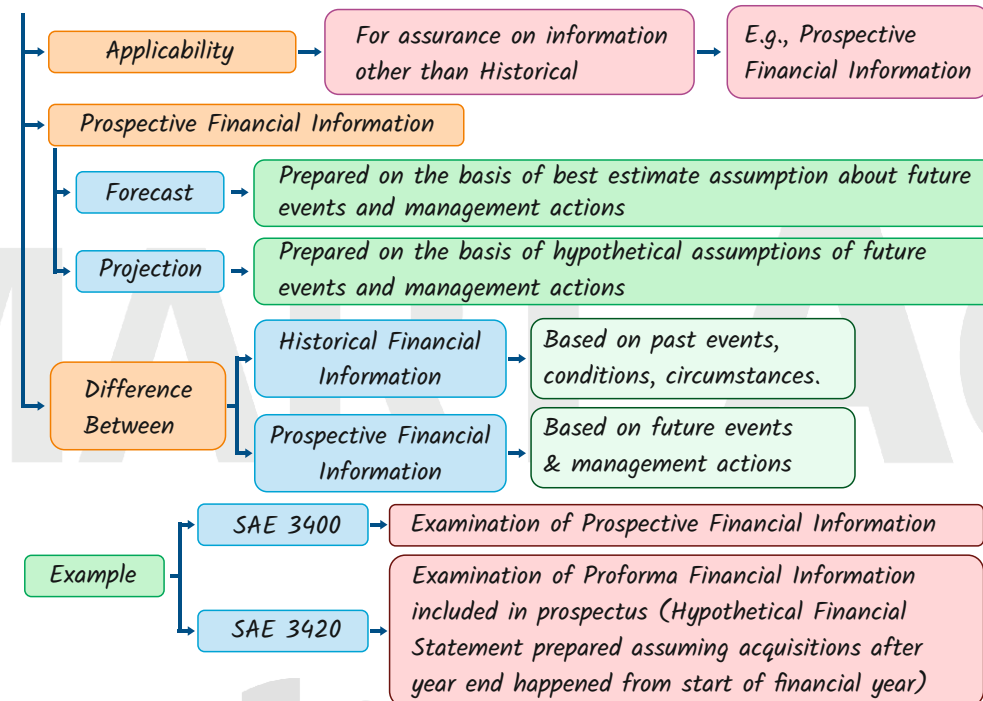


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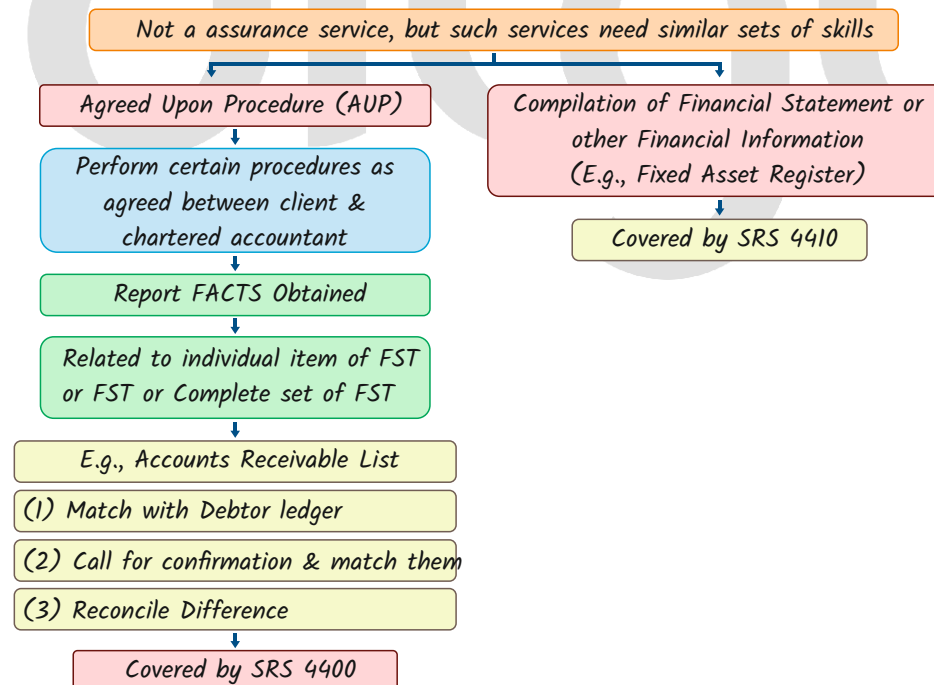
CNO--SAINTRO.66

STANDARDS ON ASSURANCE ENGAGEMENT



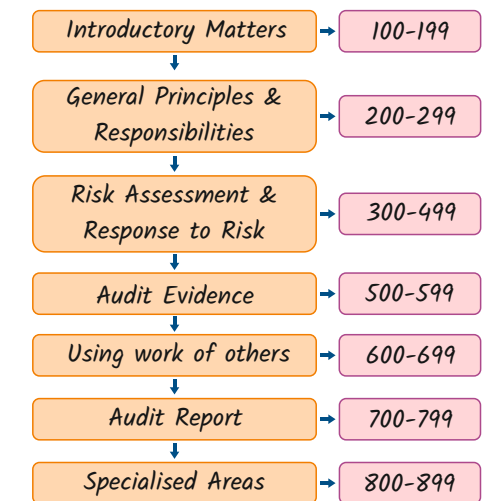
CNO--SAINTRO.68

STANDARDS ON RELATED SERVICES



CNO--SAINTRO.080

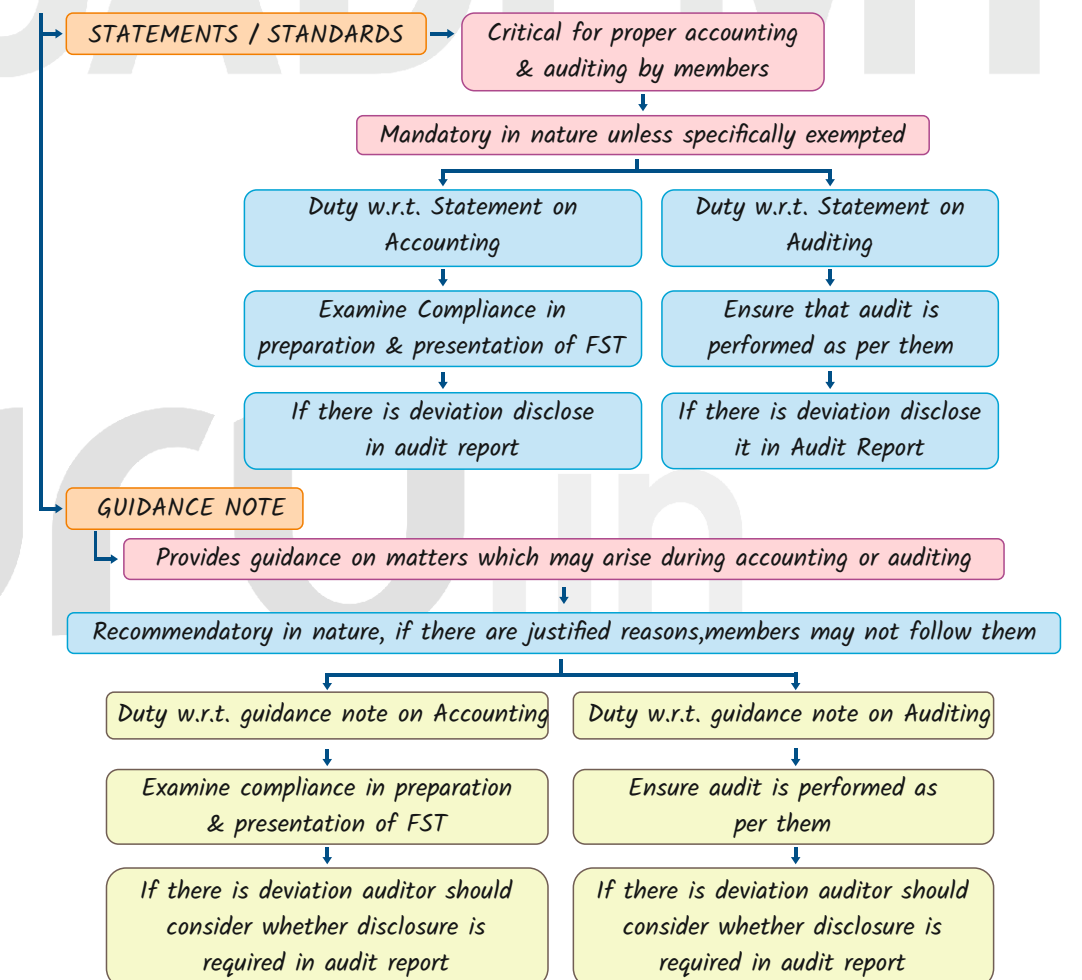
BREAK-UP OF SAs



CNO--SAINTRO.180

(QNO--SAINTRO.05)

COMPLIANCE WITH DOCUMENTS ISSUED BY ICAI



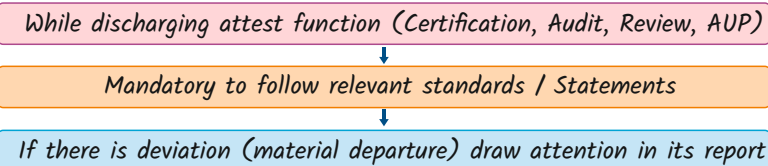
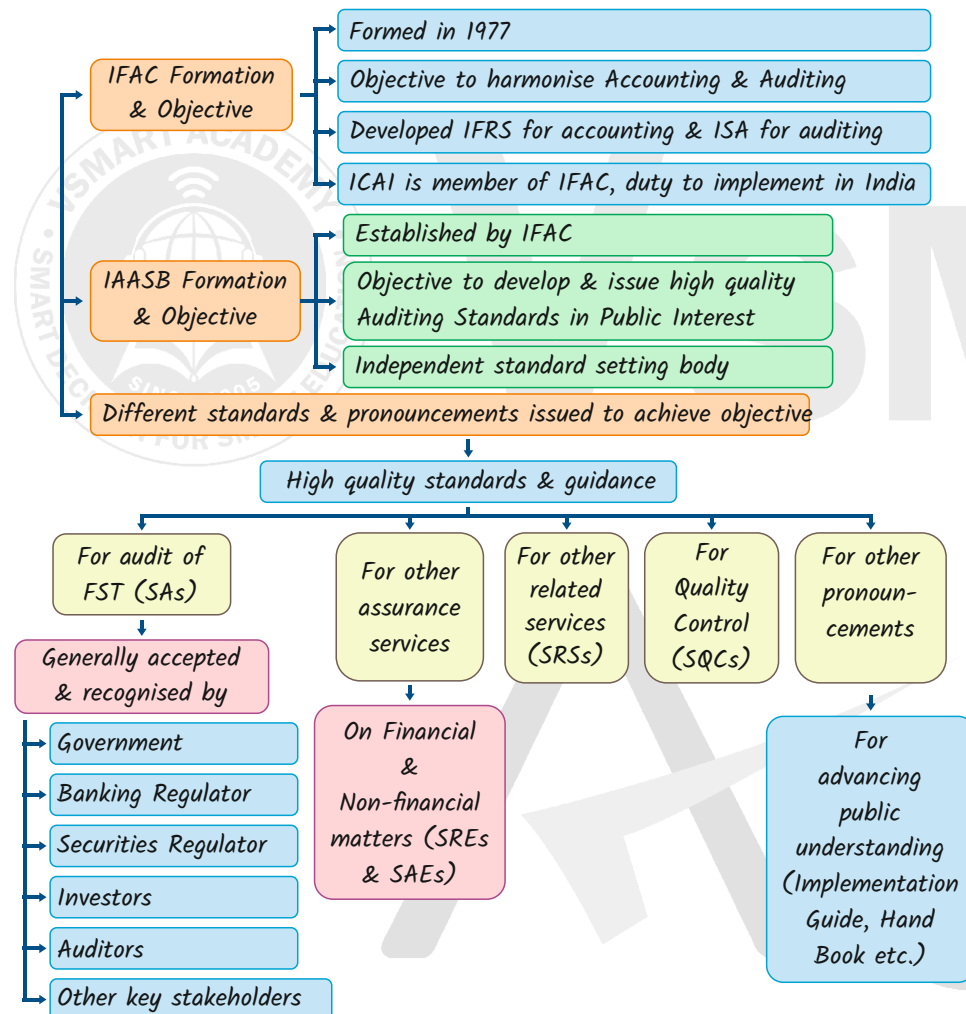
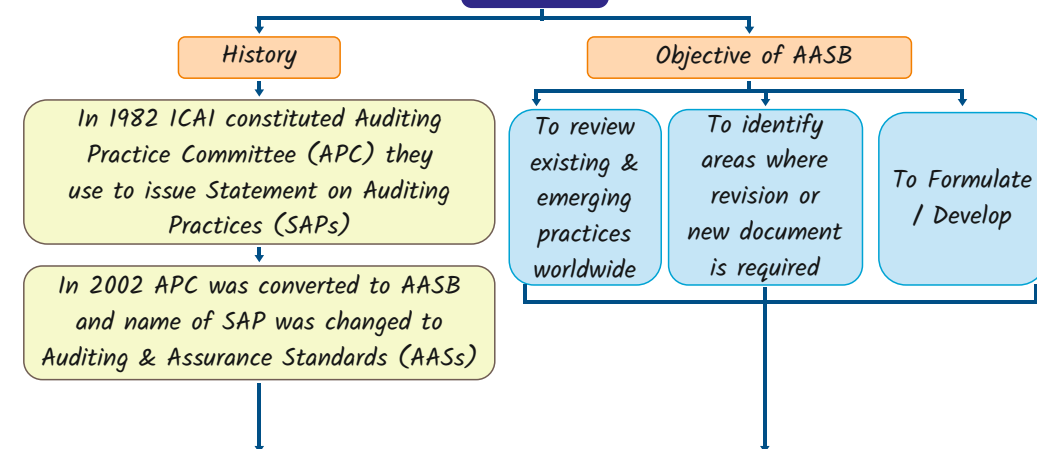


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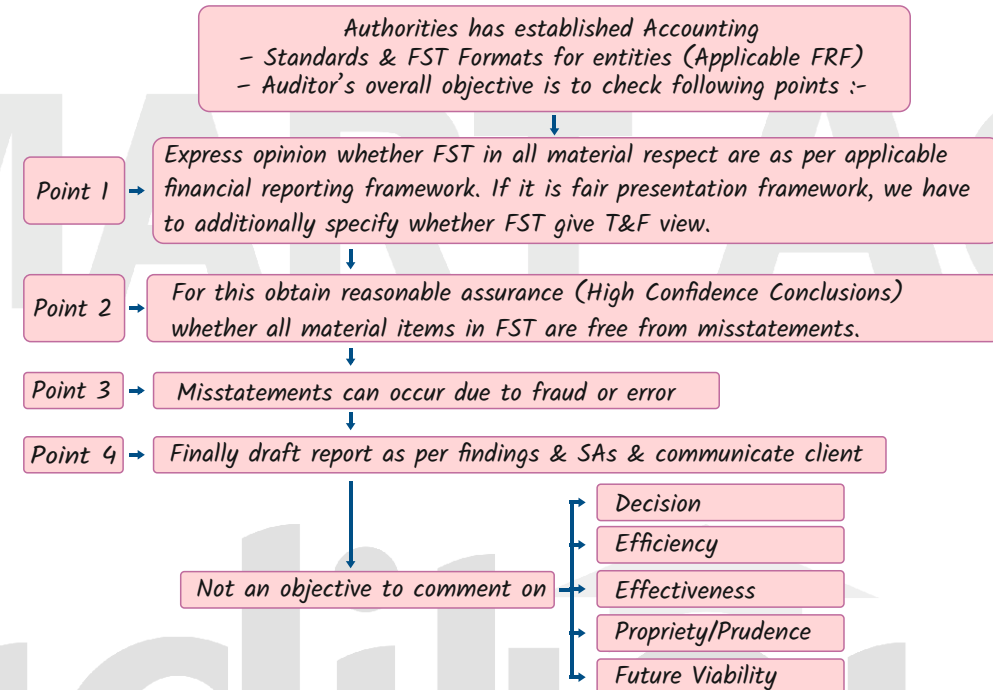
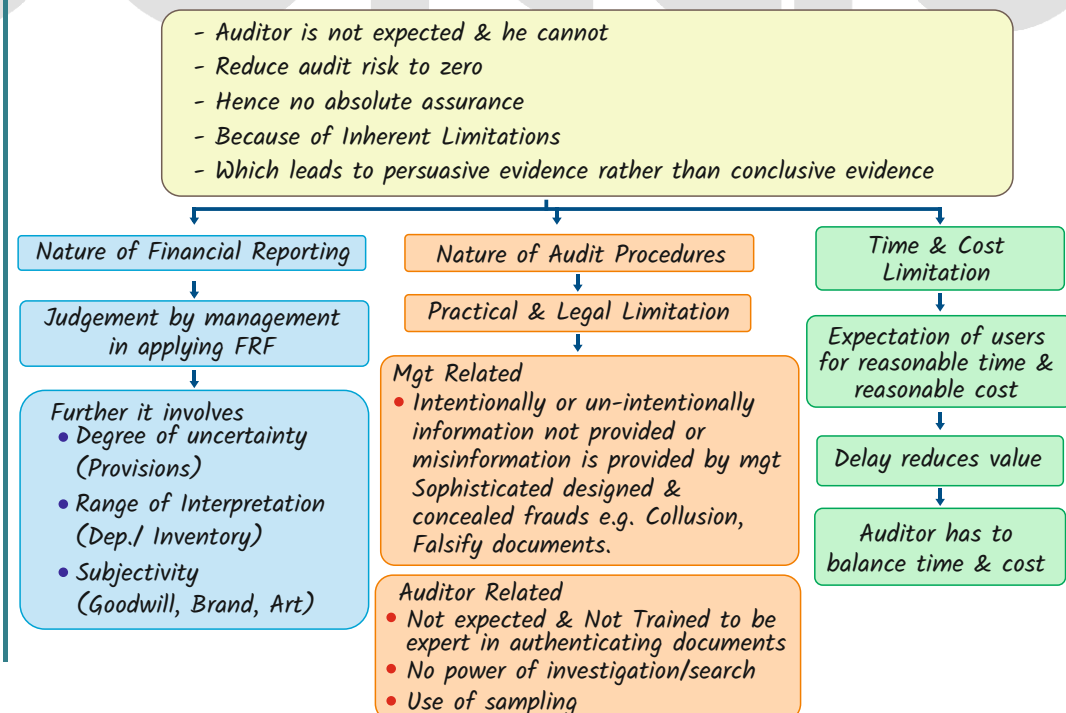
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DUTY OF MEMBER OF ICAI**OBJECTIVES / ROLE / FUNCTIONS OF IAASB****AASB**

In 2007 under clarity project existing standards were revised, new standards were issued under nomenclature Engagement & Quality Standards

- Engagement Standards
- Standards on Quality Control
- Guidance Notes
- General Clarifications
- Technical Guides, Practice Manuals, Studies & Other Papers (TPSO)

Part 4 - SA 200**OVERALL AUDIT OBJECTIVES****INHERENT LIMITATIONS OF AUDIT**

Continue on next column...

Hence has to do Appropriate planning

Difficulty, Time & Cost (DTC)

There is whether, alternative audit procedure providing persuasive evidence

Yes

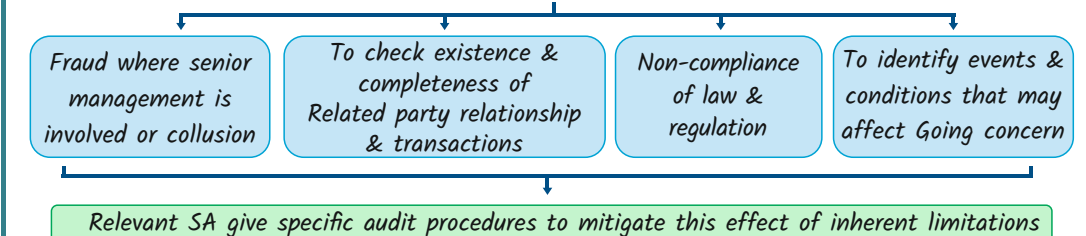
Avoid audit procedure involving DTC

No

We cannot avoid audit procedure involving DTC

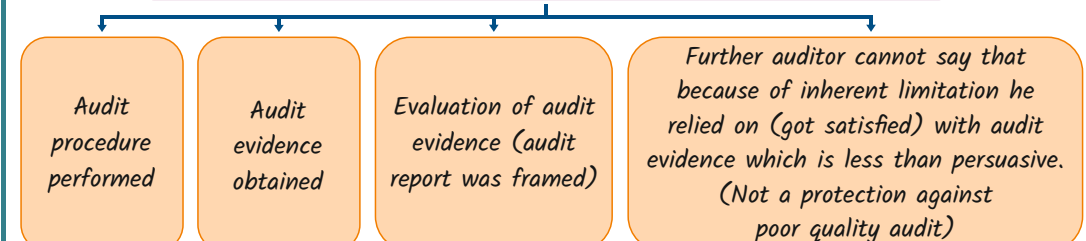
POTENTIAL EFFECT OF THE INHERENT LIMITATIONS OF AN AUDITOR'S ABILITY TO DETECT MMST IN CERTAIN AREAS/OTHER MATTERS THAT AFFECT THE LIMITATION OF AN AUDIT

Because of inherent limitations auditor's ability to detect material misstatement gets affected in certain assertions or subject matter as given below, these matters make auditing procedure further difficult

Shortcut - FIRaNGi**SUBSEQUENT DISCOVERY OF MATERIAL MISSTATEMENT**

Subsequent discovery of material misstatement whether due to fraud or error does not mean that auditor has failed to comply with standards on auditing

To evaluate whether auditor has performed audit as per Standards on Auditing we have to evaluate following things then conclude



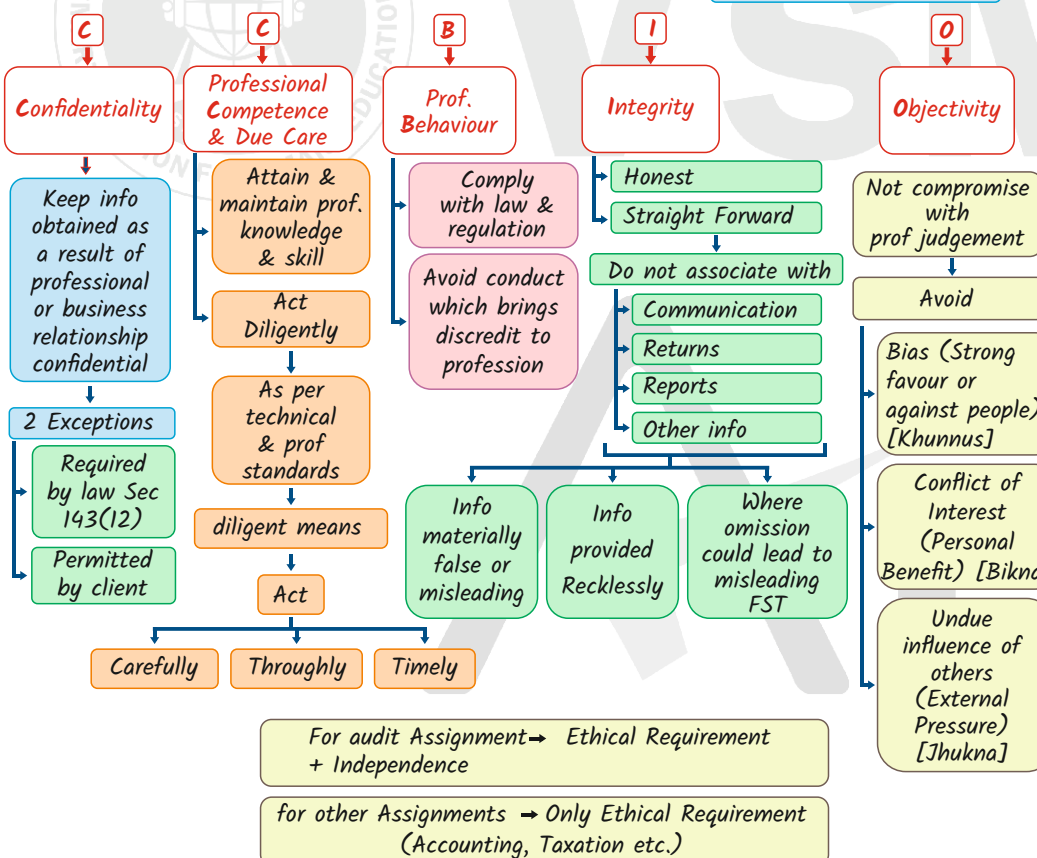
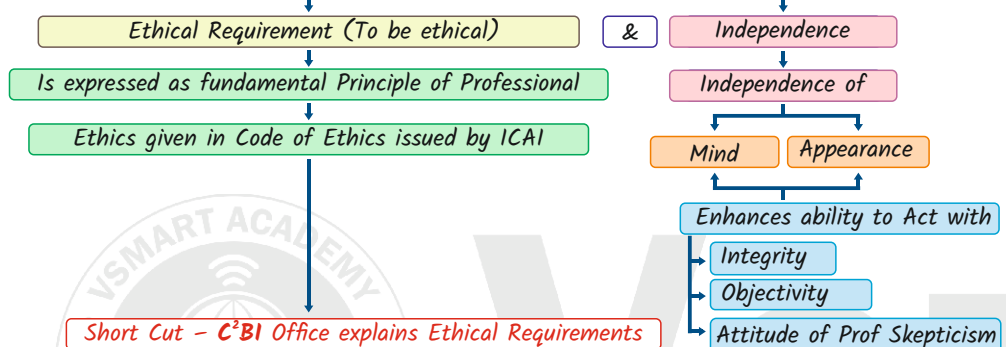
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ETHICAL REQUIREMENTS & INDEPENDENCE

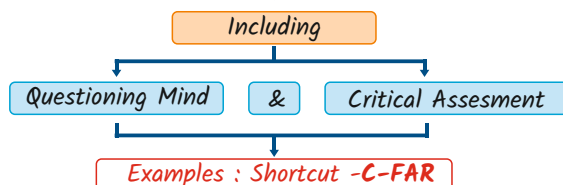
- Ethics provide principles of conduct
- What is morally correct or incorrect
- Code of Ethics of respective profession provide ethical requirements
- Principles to be followed to have ethical conduct

Mandatory for Auditor to Comply with



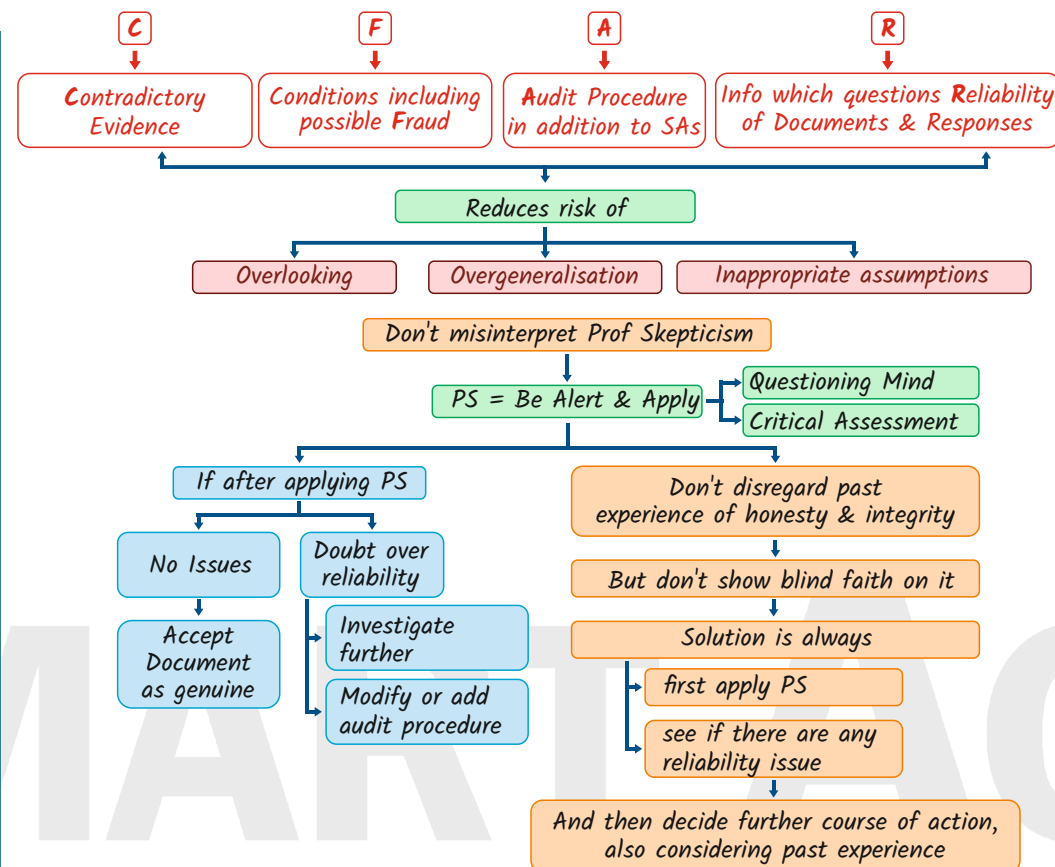
PROFESSIONAL SKEPTICISM

Attitude to remain Alert for condition indicating possible misstatement (Don't just blindly rely on past)



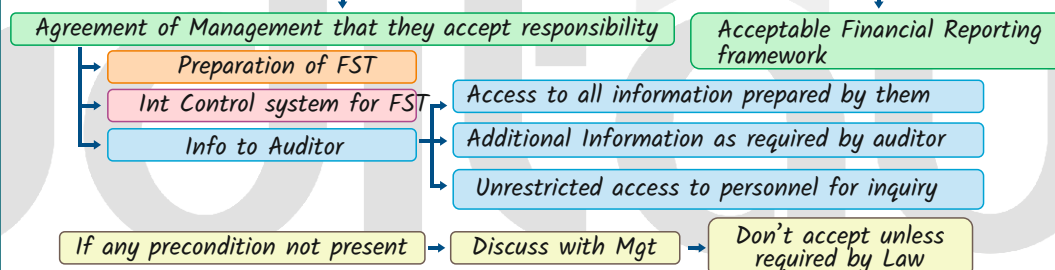
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Examples: Shortcut - C-FAR

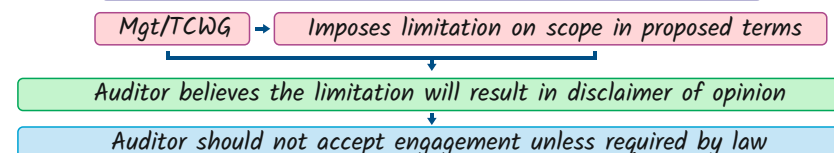


Part 5 - SA 210

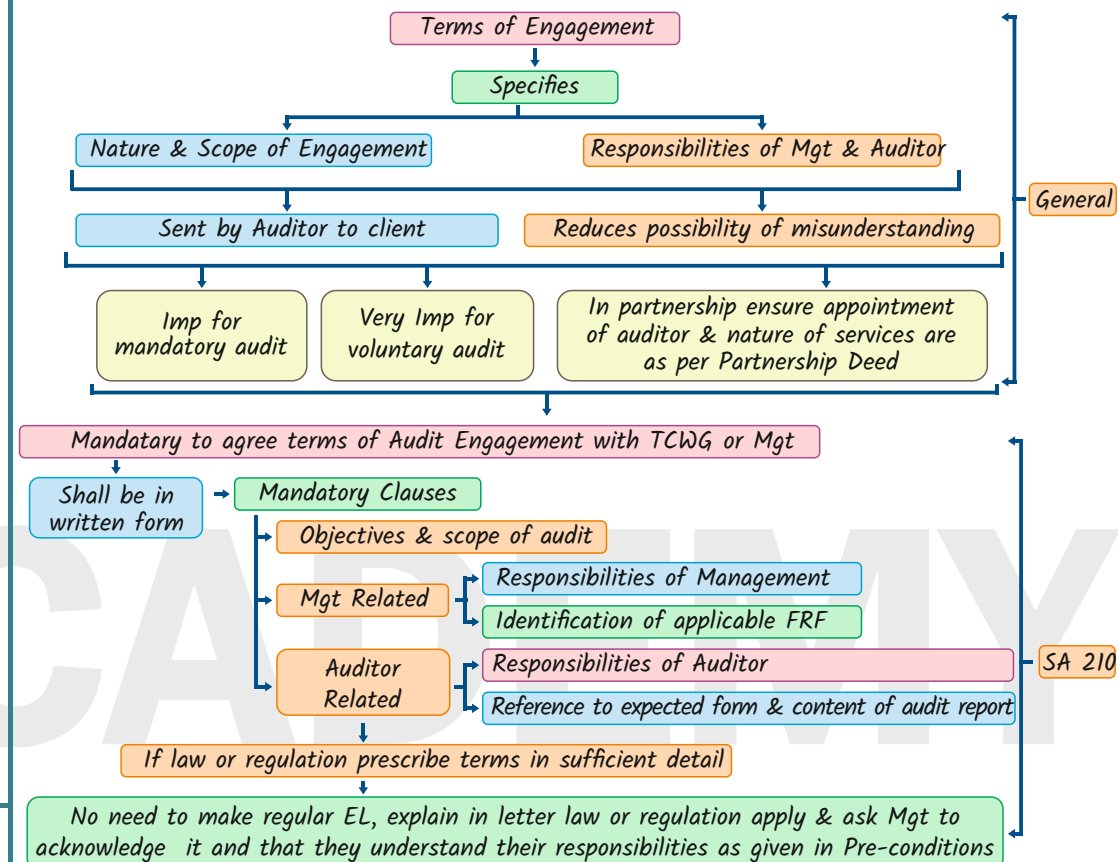
PRE-CONDITIONS OF AUDIT / PREMISES OF AUDIT



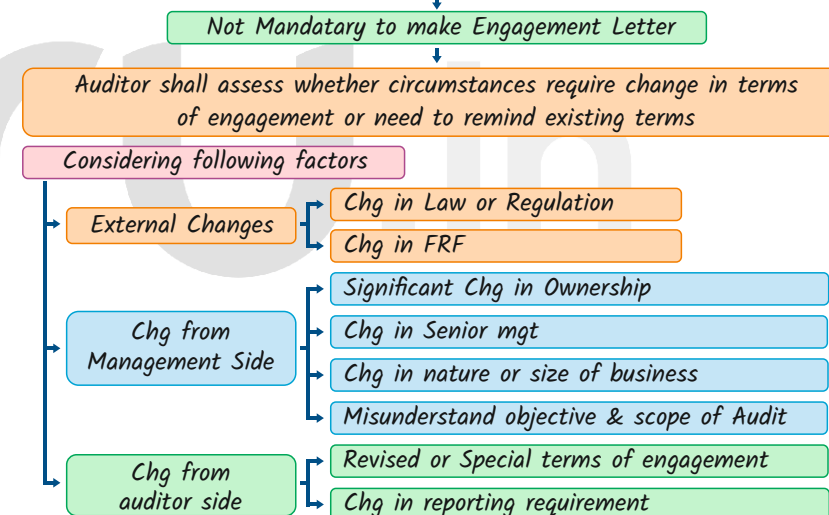
LIMITATION ON SCOPE PRIOR TO AUDIT ENGAGEMENT ACCEPTANCE

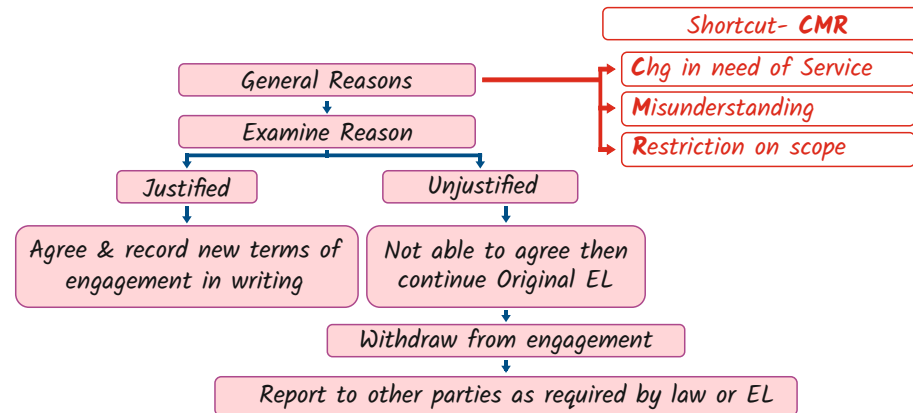


ENGAGEMENT LETTER (EL)

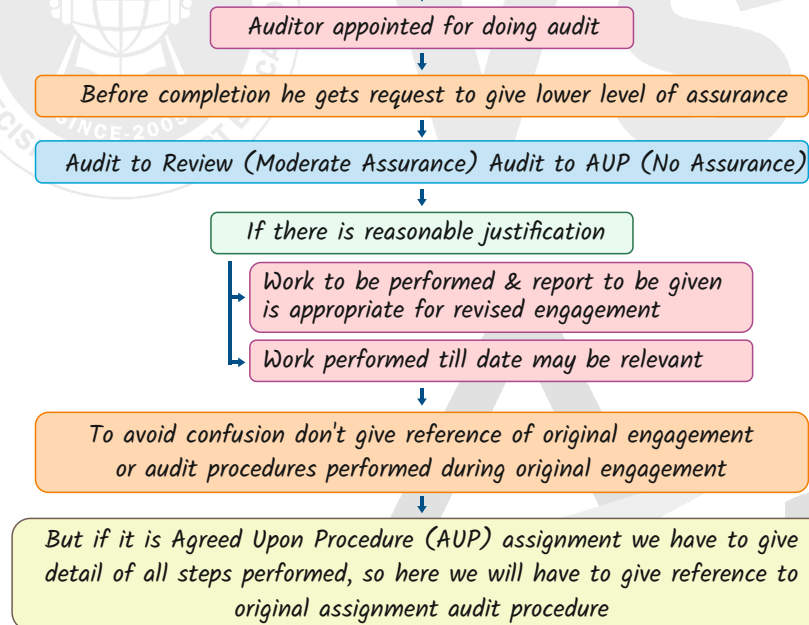


ENGAGEMENT LETTER IN RECURRING AUDITS

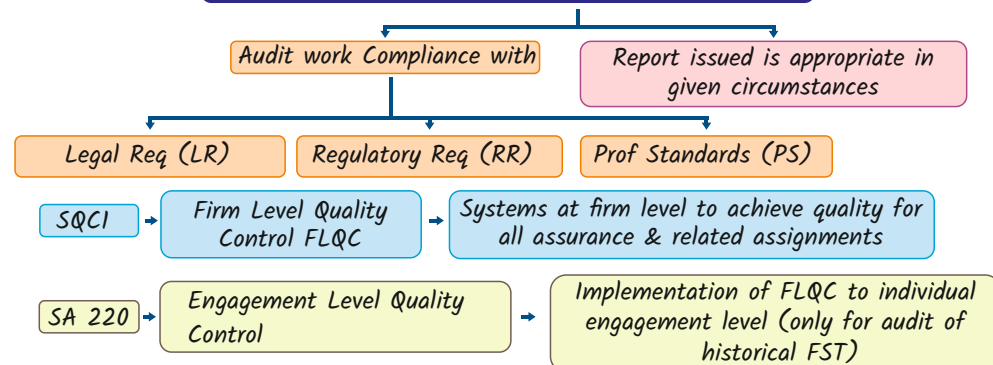


CHANGE IN TERMS

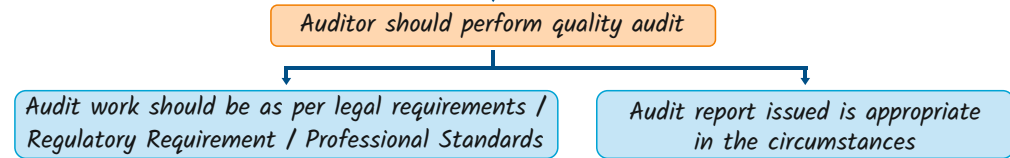
CNO-SA210.110

REQUEST FOR LOWER LEVEL OF ASSURANCE**Part 6 – SA 220**

CNO-SA220.040

QUALITY OF AUDIT IS MAINTAINED IF

CNO-SA220.045

OBJECTIVE OF SA 220

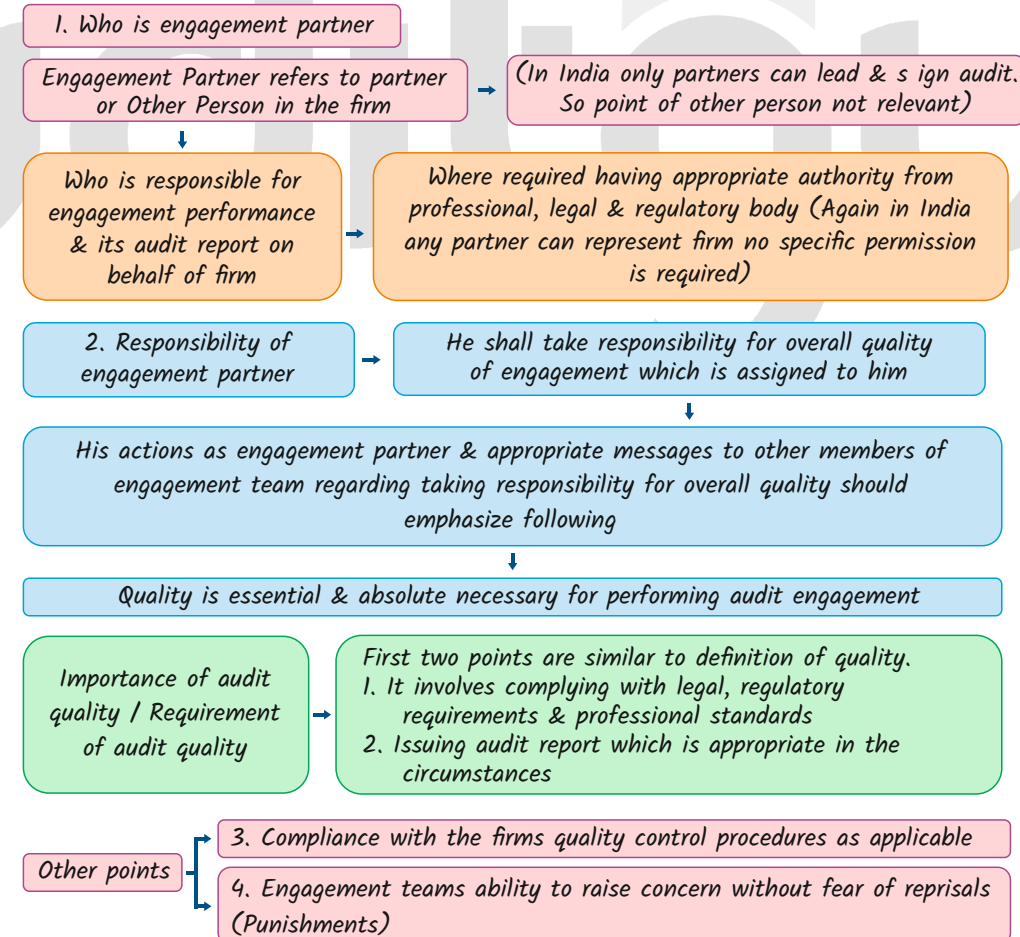
CNO-SA220.060

(QNO-220.01, 220.02) (MCQ-220.3, Incs.32.1)

ELEMENTS OF QUALITY CONTROL

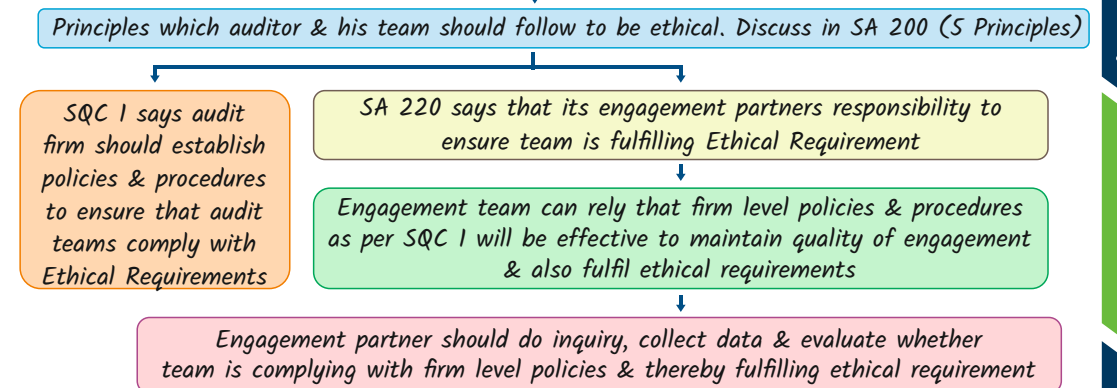
CNO-SA220.080

(QNO-220.03)

LEADERSHIP & RESPONSIBILITY FOR QUALITY OF AUDIT

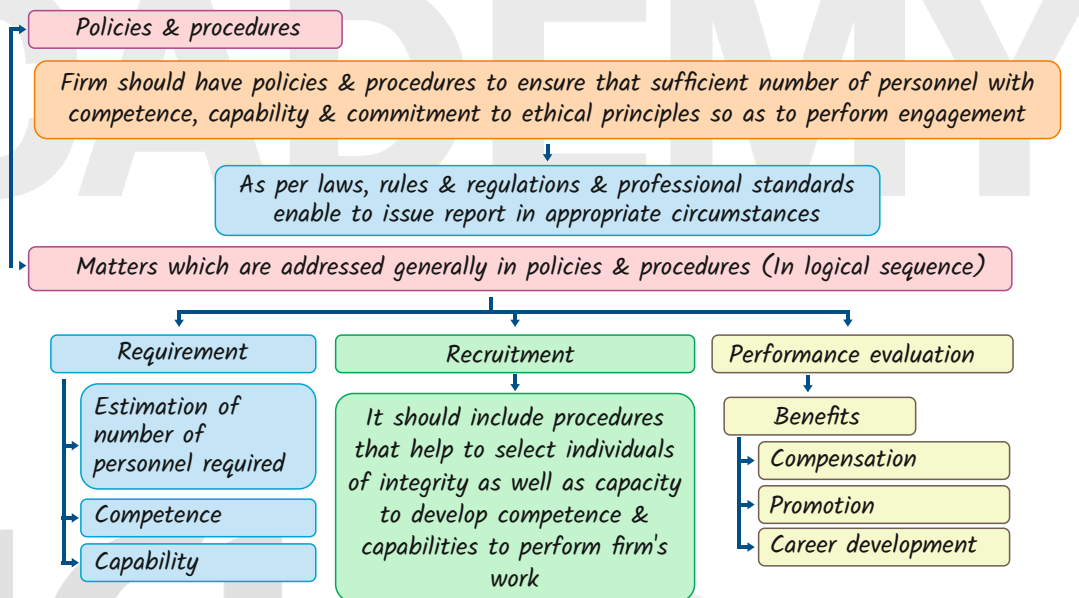
CNO-SA220.100

(MCQ-220.2)

ETHICAL REQUIREMENT

CNO-SA220.120

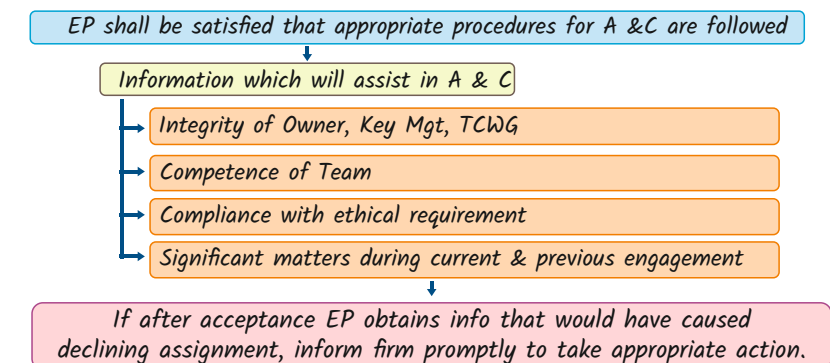
2

HUMAN RESOURCES

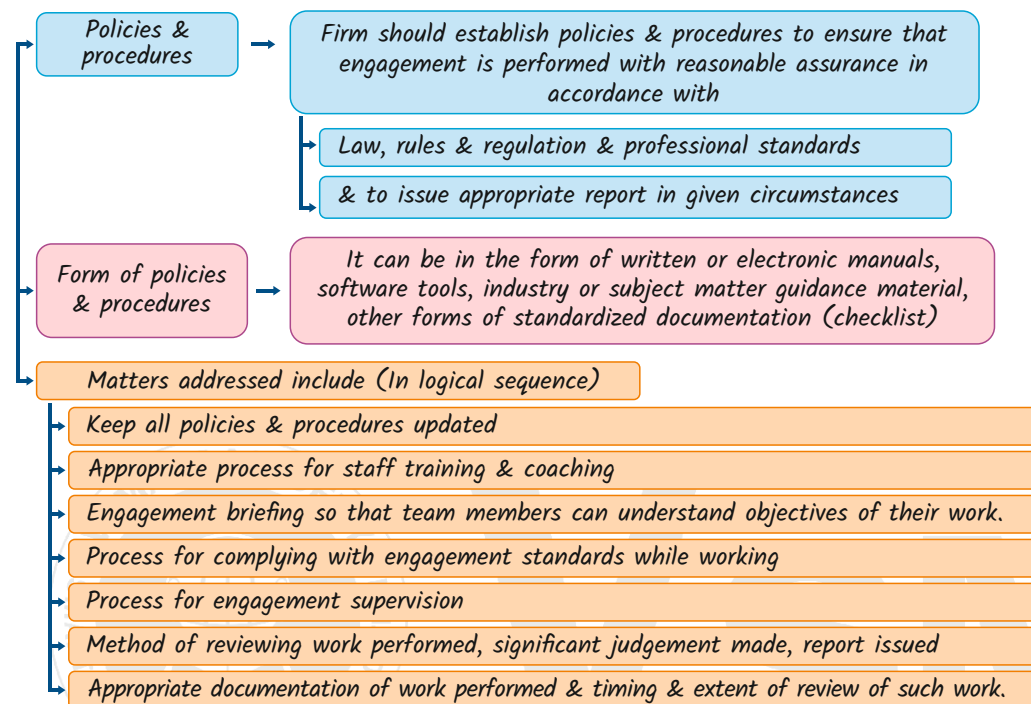
CNO-SA220.140

(QNO-220.06)

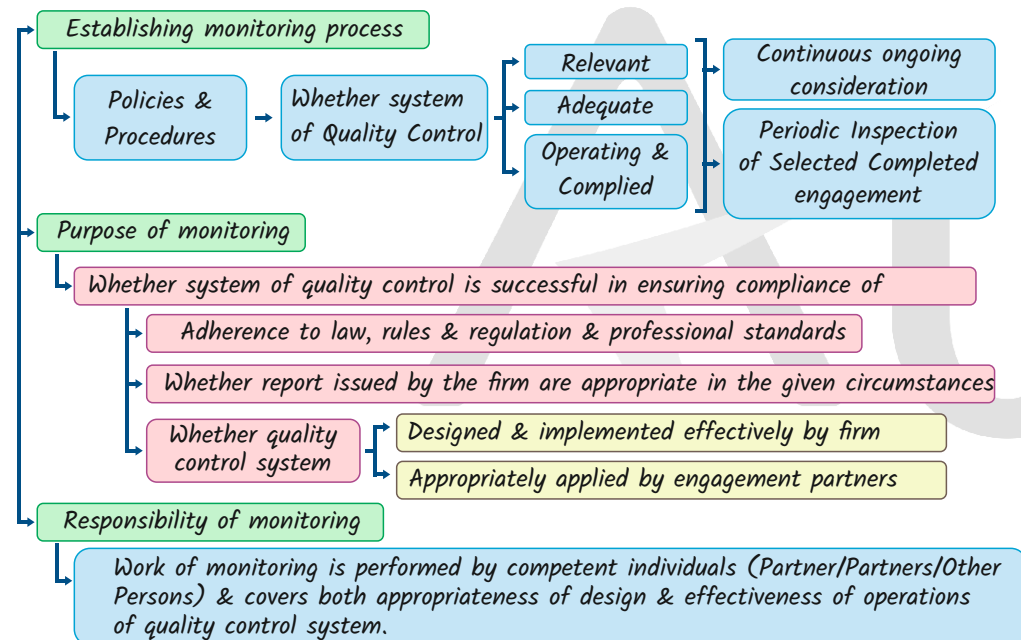
4

ACCEPTANCE & CONTINUANCE (A & C)

5 ENGAGEMENT PERFORMANCE

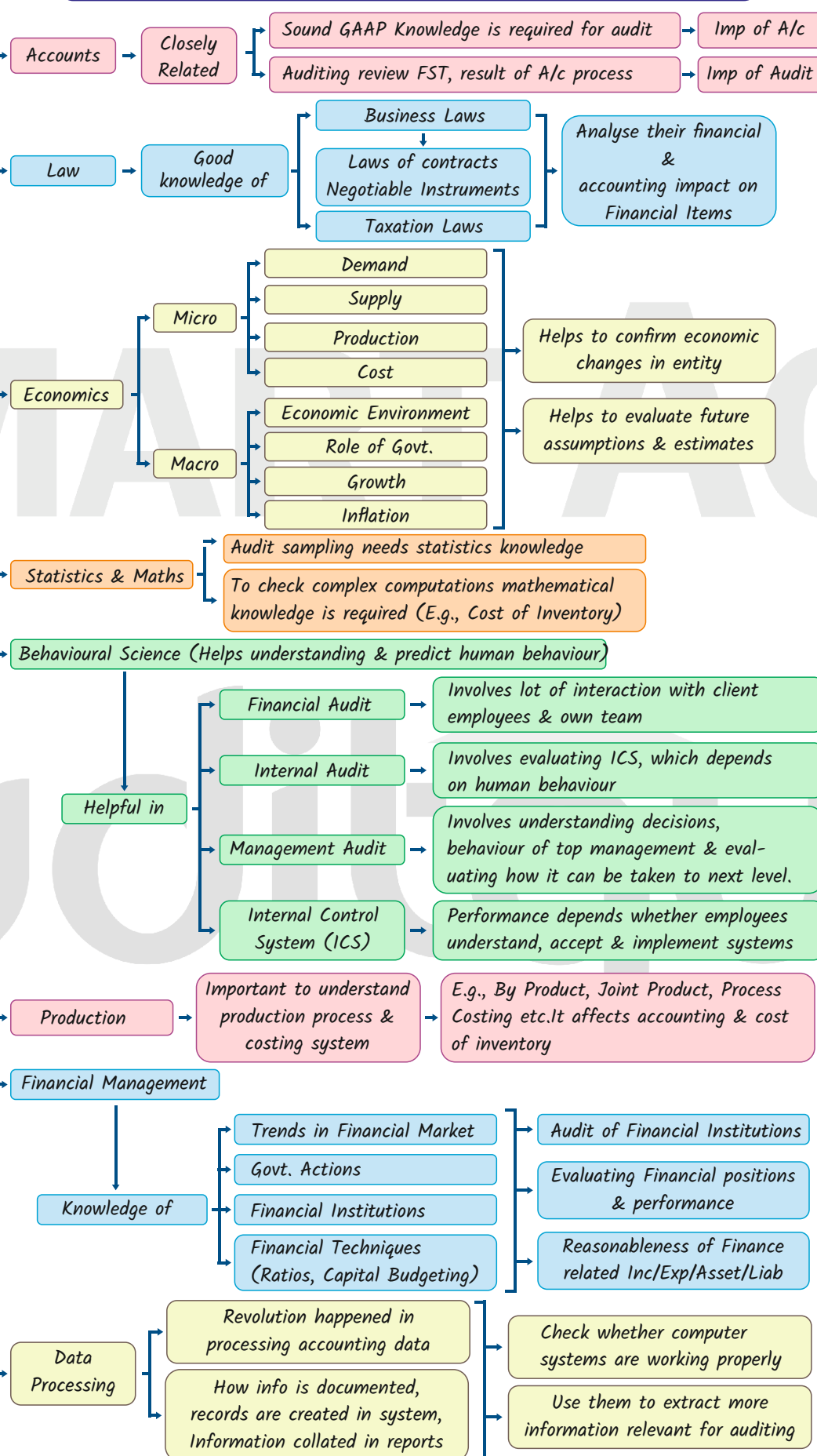


6 MONITORING PROCESS

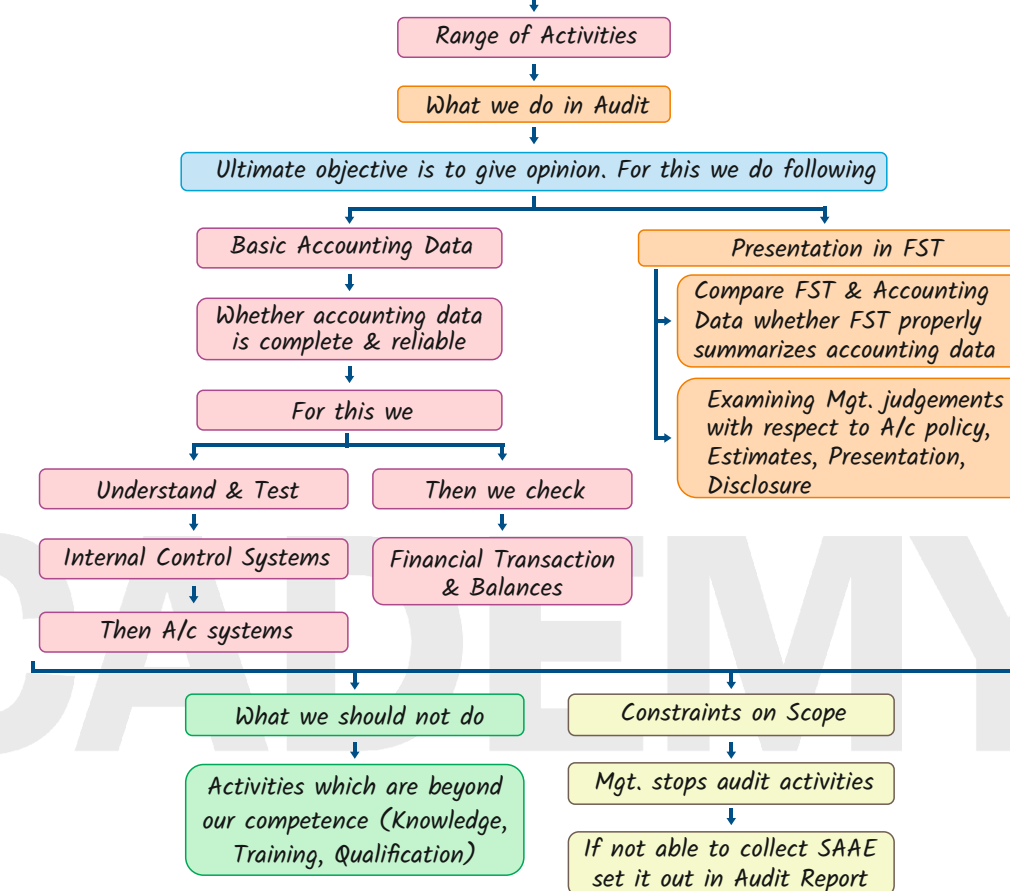


Part 7 – OTHER CONCEPTS

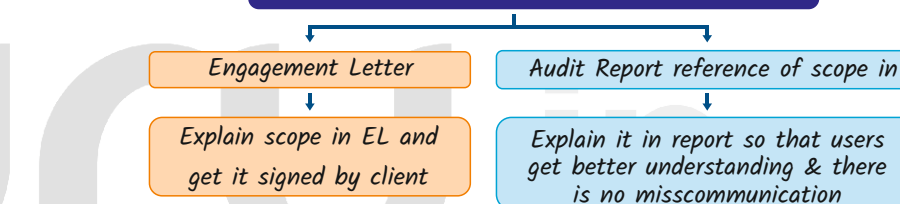
RELATIONSHIP BETWEEN AUDITING & OTHER DISCIPLINES (Recollect subjects from Foundation & Inter)



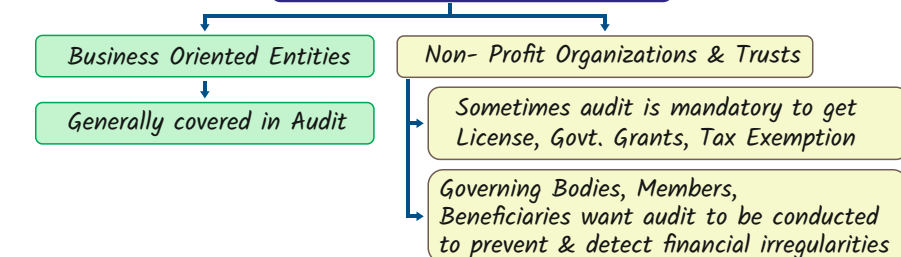
SCOPE OF AUDIT



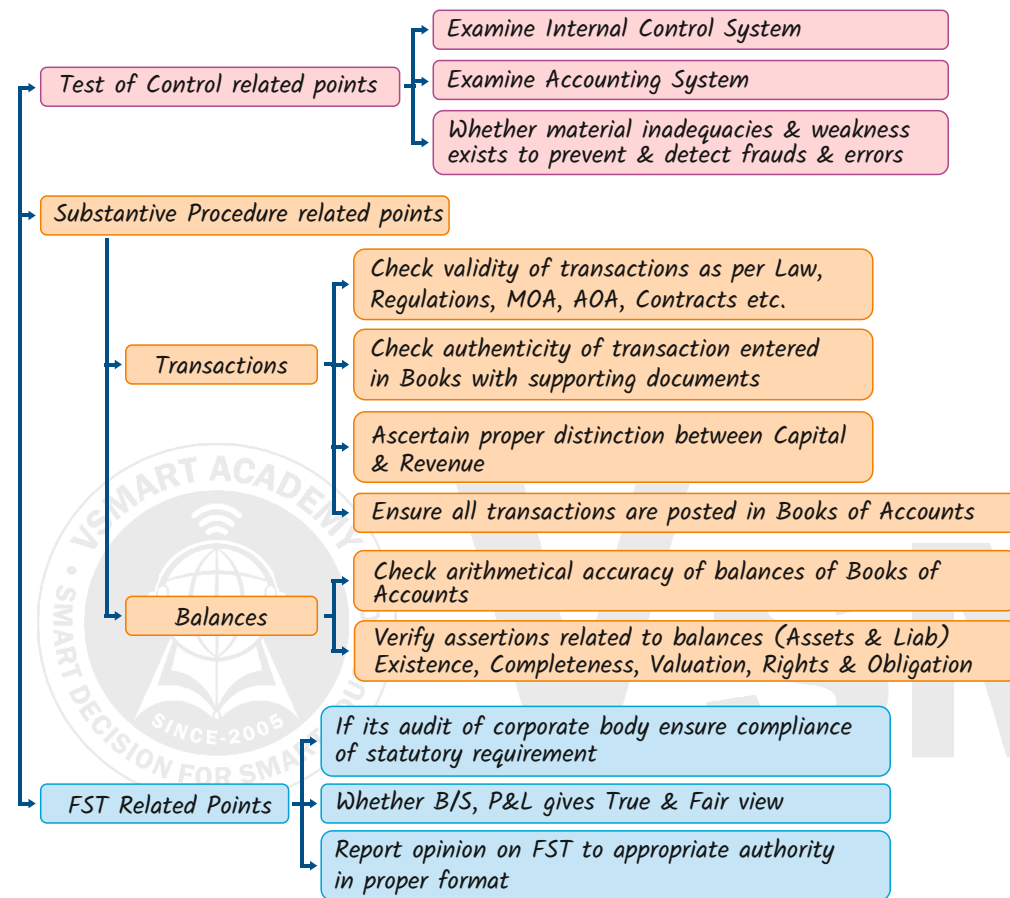
REFERENCE OF SCOPE IN EL & AR



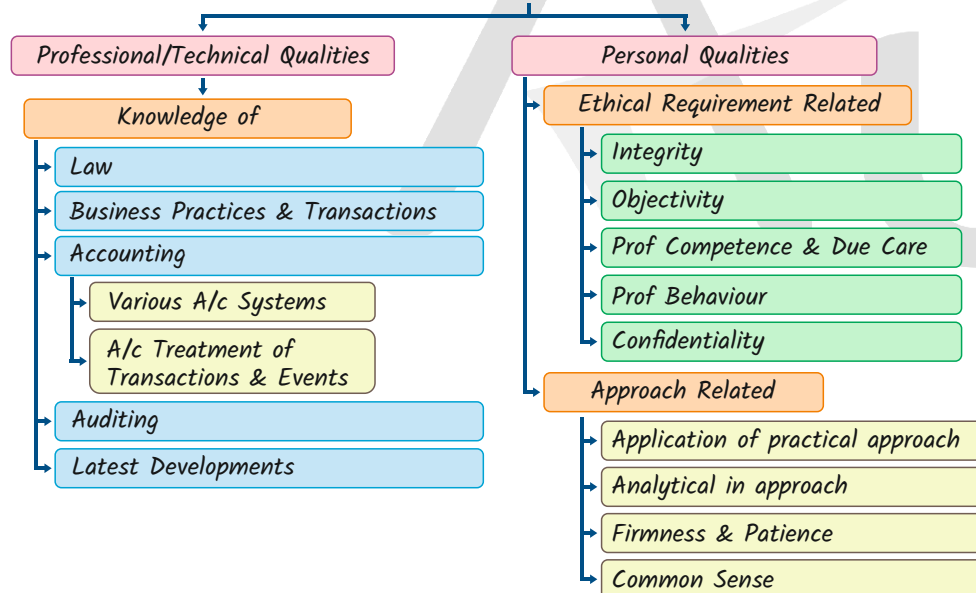
COVERAGE OF ENTITIES



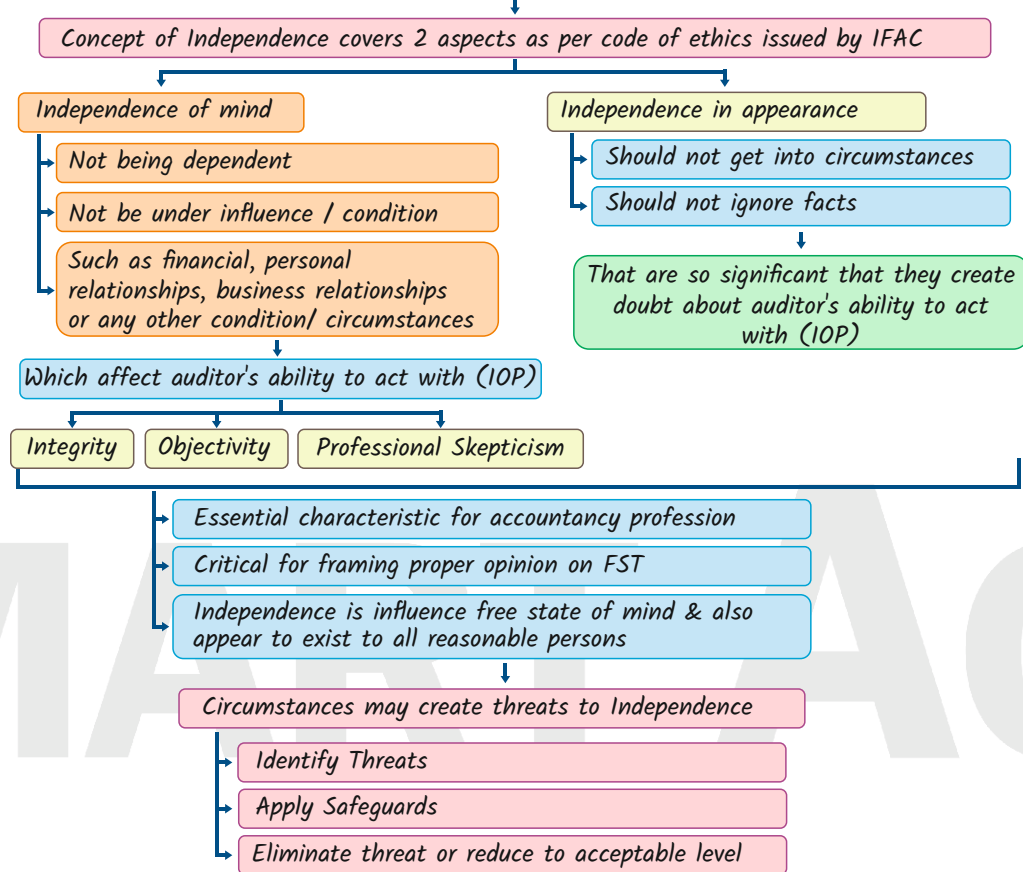
ASPECTS TO BE COVERED IN AUDIT



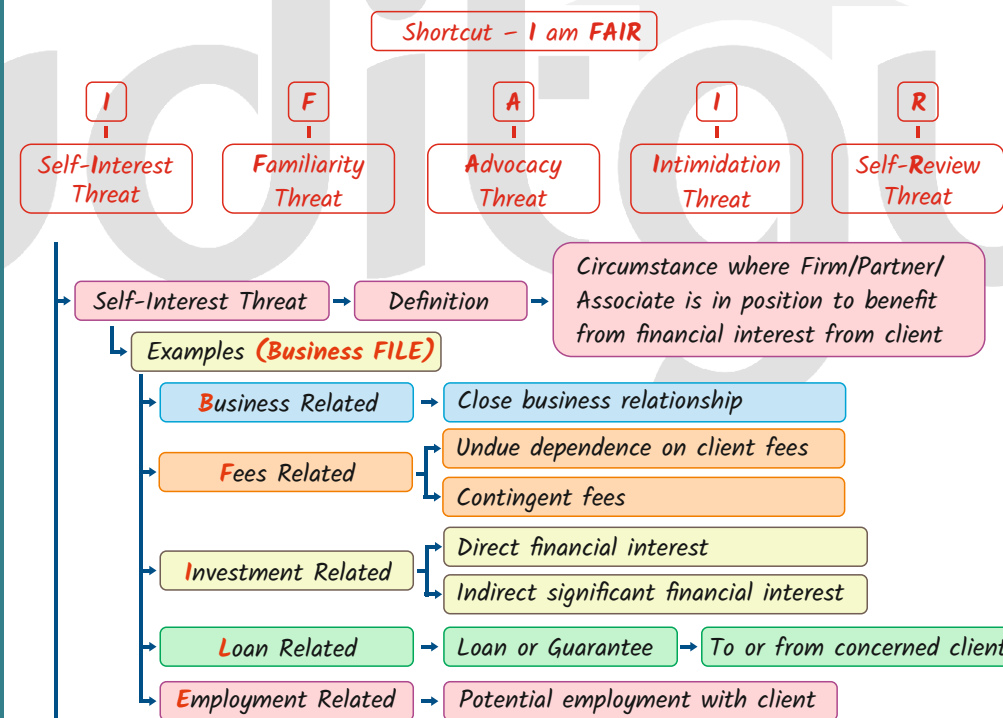
QUALITIES OF AUDITOR



INDEPENDENCE OF AUDITOR



THREATS TO INDEPENDENCE



Continue on next column...



SAFEGUARDS TO INDEPENDENCE**AUDIT VS INVESTIGATION**

	Investigation	Audit
Objective purpose	Special Purpose Validate Fact Evaluate situation	Reasonable Assurance Whether FST give T&F
Pre Conceived Notion	Yes	No
Periodical	No (Findings in Audit may lead to investigation)	Yes

Part I – SA 300

CNO--SA300.010

AUDIT PLANNING

First prepare Audit Strategy Then prepare Audit Plan

CNO--SA300.020

(QNO-300.03) (MCQ-300.3, 300.5, 300.7, 300.9)

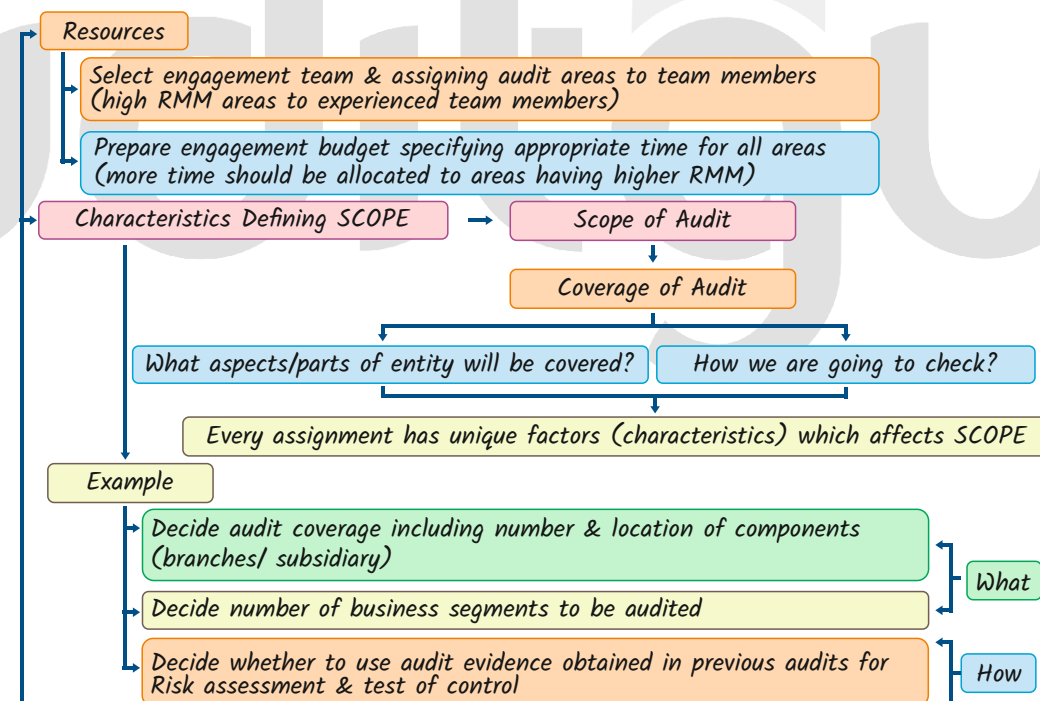
ESTABLISHING OVERALL AUDIT STRATEGY (OVERALL AUDIT PLAN)

ShortCut – Rajasthan SRPF

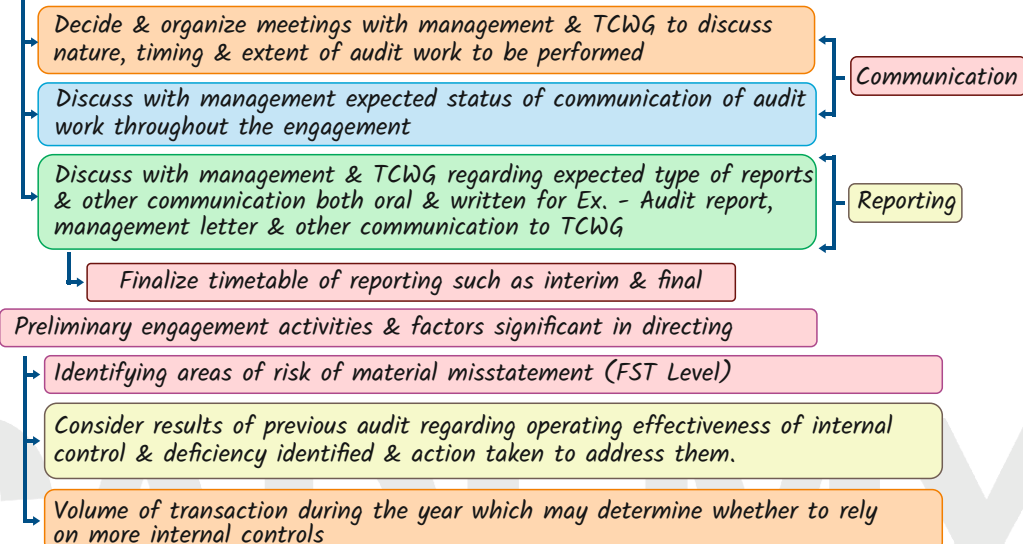


CNO--SA300.040

(QNO-300.05)

FACTORS CONSIDERED FOR DETERMINING OVERALL AUDIT STRATEGY (FURTHER DETAILED EXPLANATION OF EACH FACTOR)**Examples**

Continue on next column...

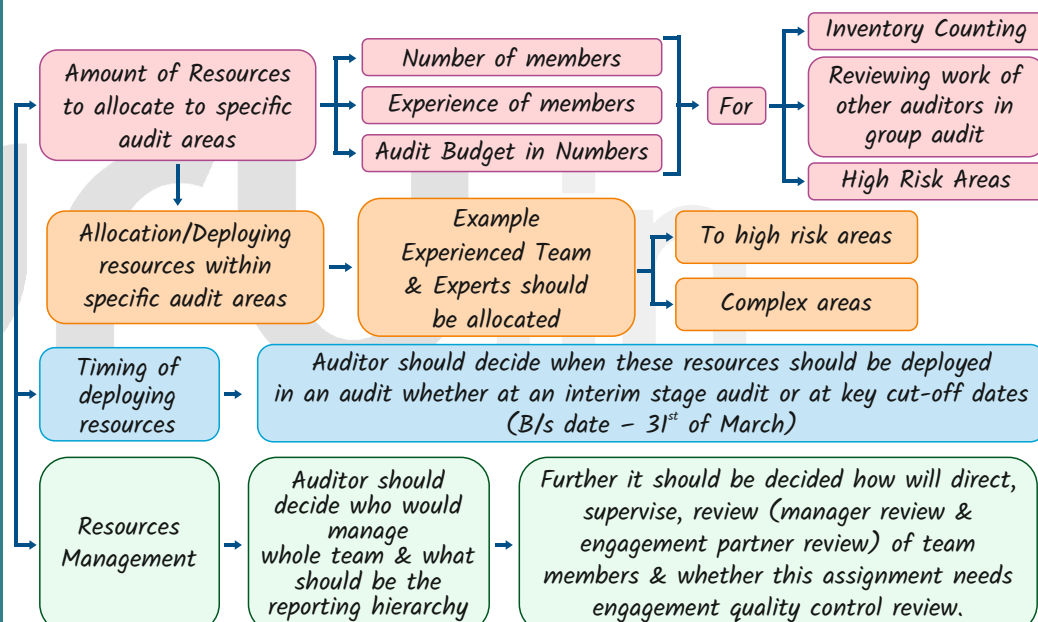
Reporting & Communication

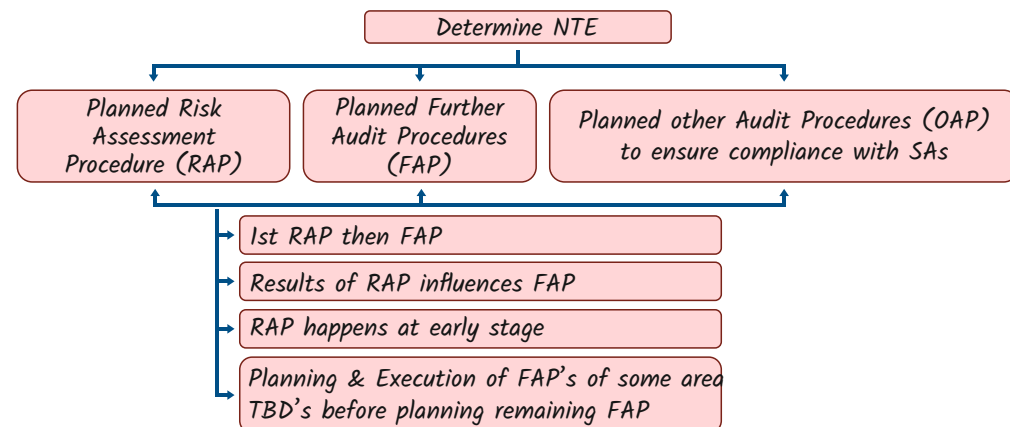
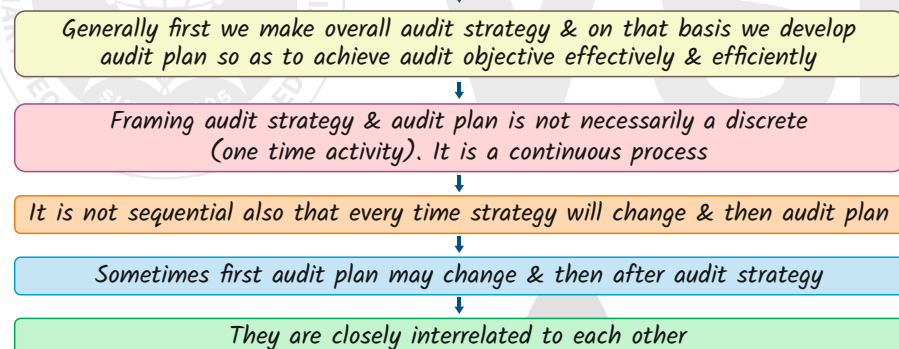
CNO--SA300.060

(QNO-300.07) (MCQ-300.12, 300.15, 300.16, Incs.02.1, Incs.02.2, Incs.09.1)

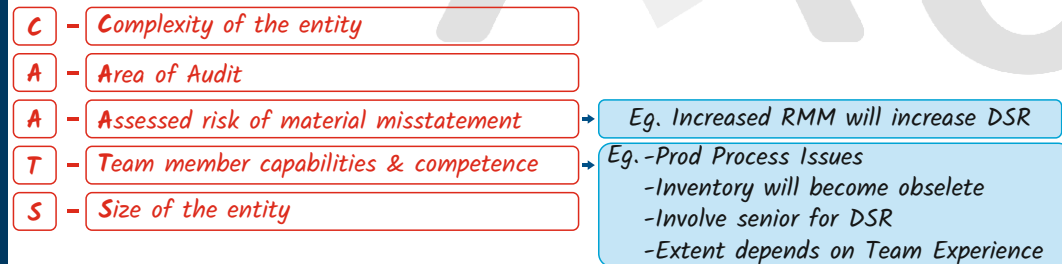
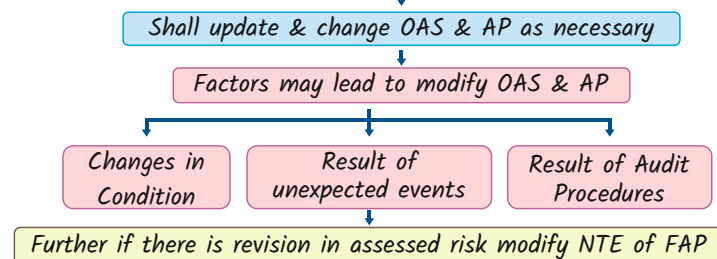
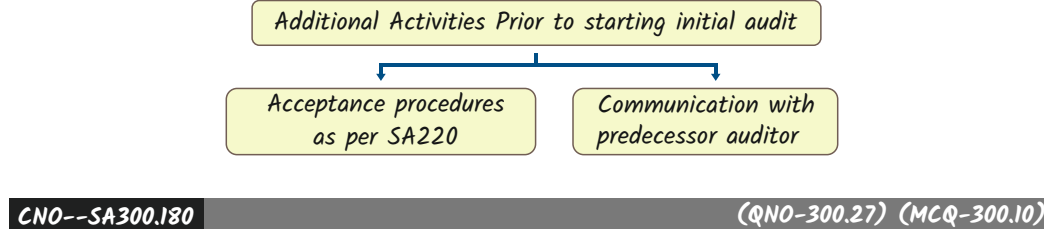
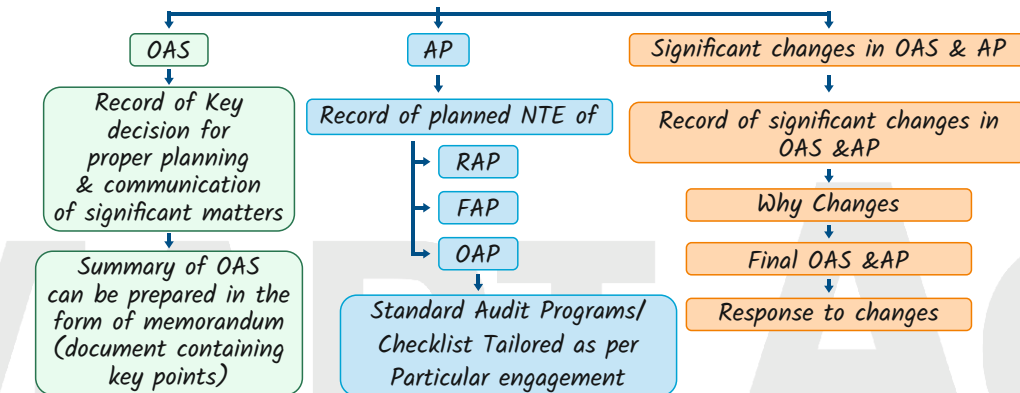
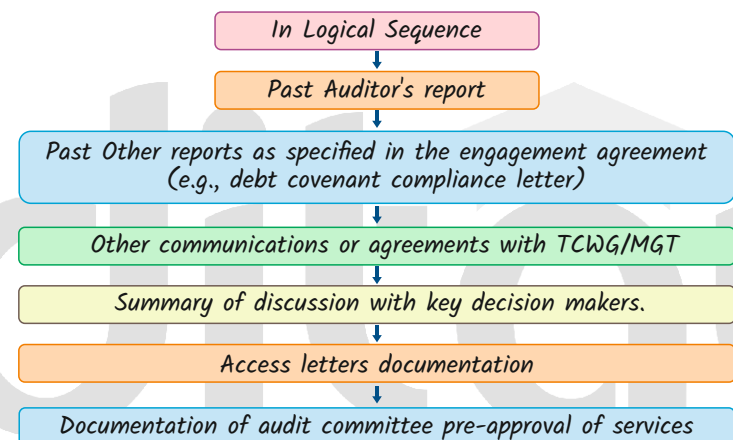
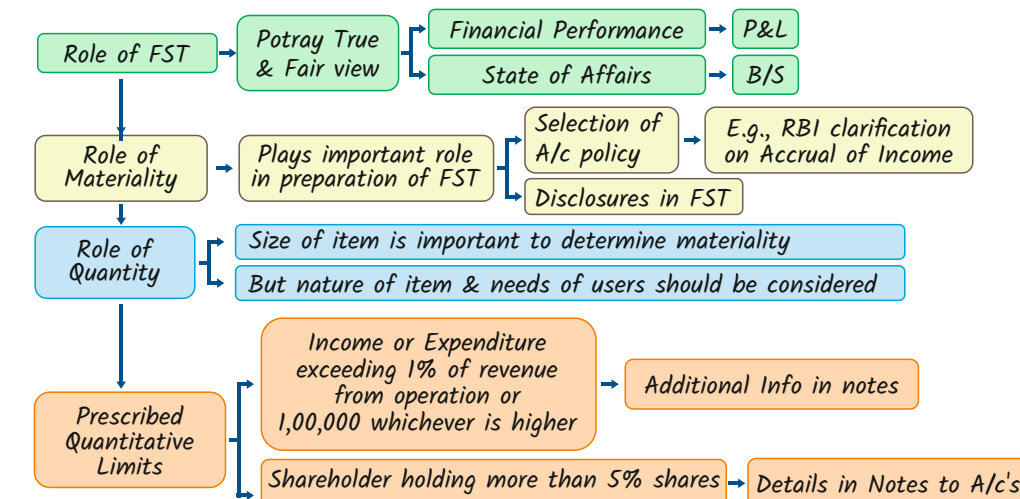
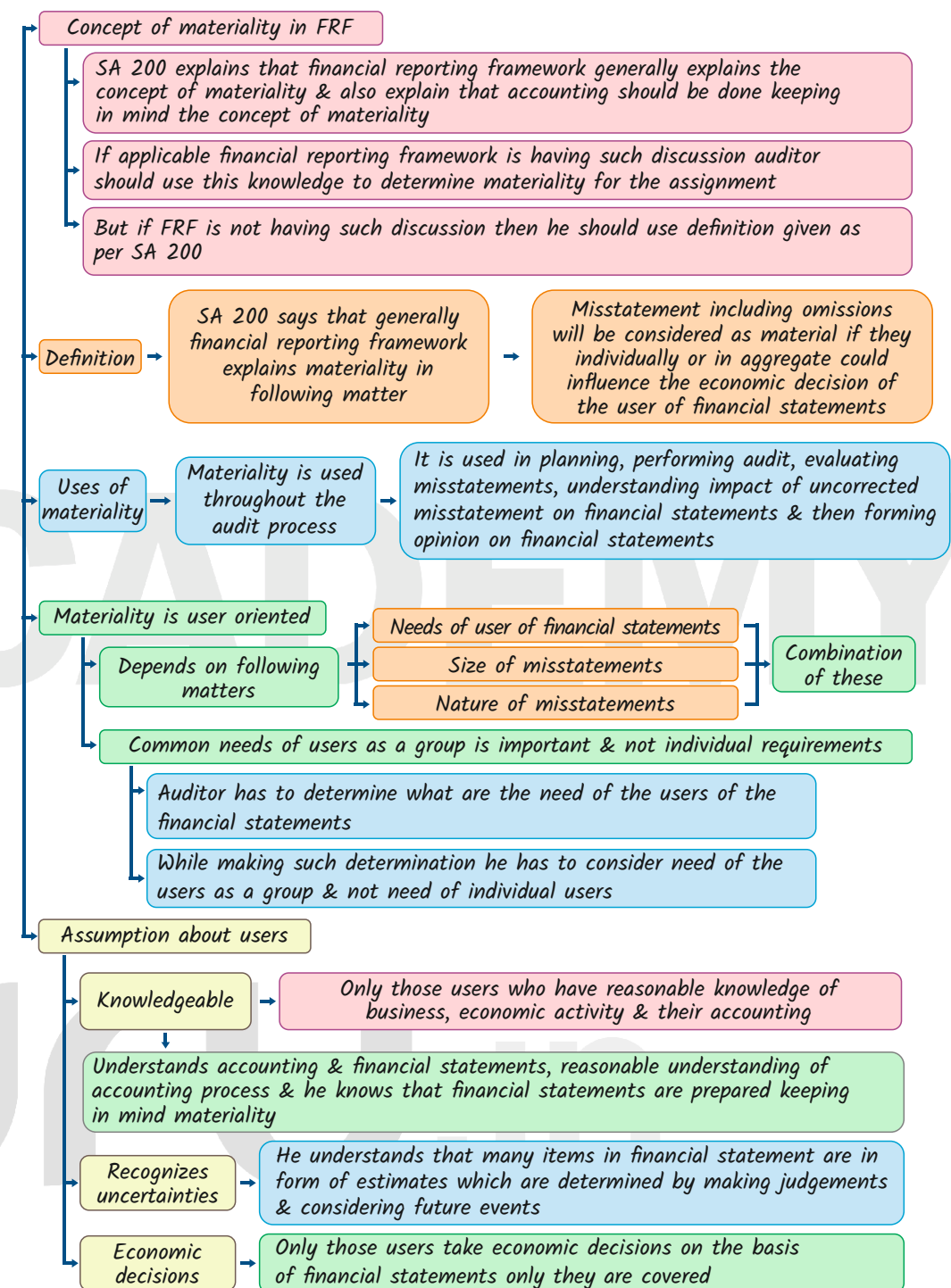
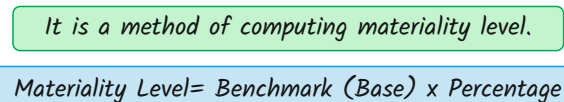
OVERALL AUDIT STRATEGY FOR RESOURCE MANAGEMENT

Following matters should be decided while establishing strategy

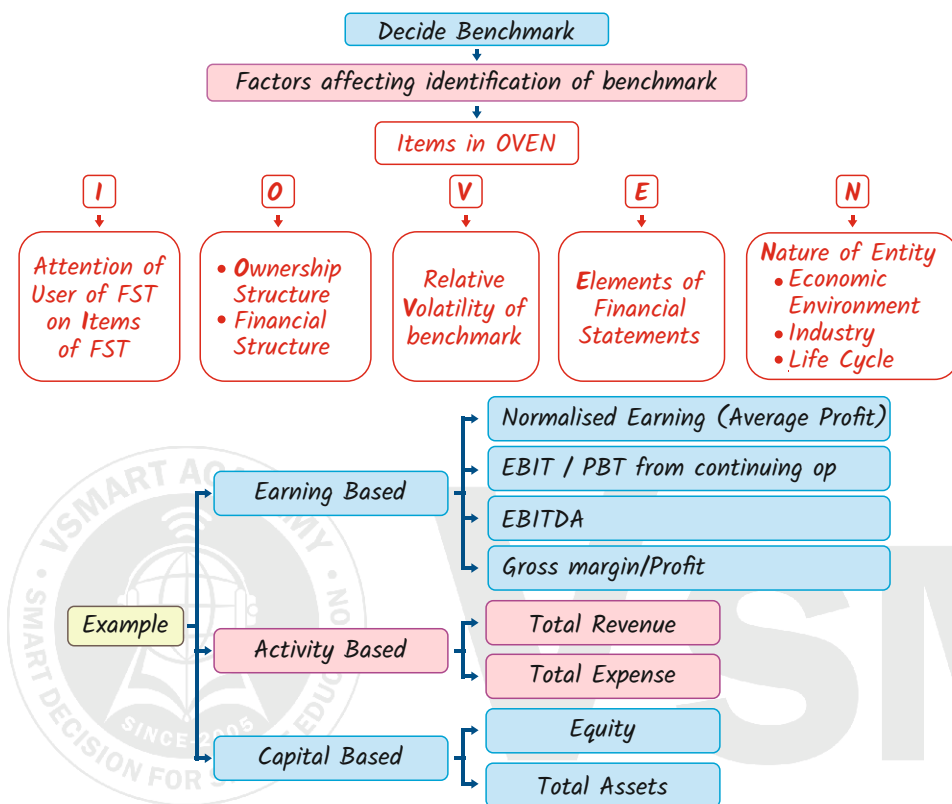


DEVELOPING AUDIT PLAN**RELATIONSHIP BETWEEN OVERALL AUDIT STRATEGY & OVERALL AUDIT PLAN****PLANNING, DIRECTION, SUPERVISION & REVIEW**

Following factors should be considered while planning DSR

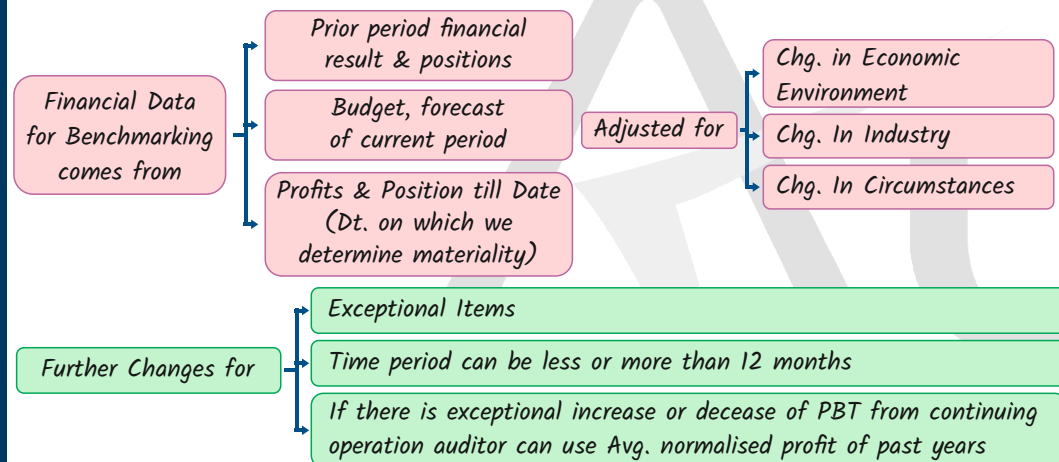
Shortcut - **CA²TS** are good at planning**CHANGES TO PLANNING DECISIONS****ADDITIONAL CONSIDERATION IN INITIAL AUDIT ENGAGEMENT (IAE)****DOCUMENTATION OF AUDIT PLAN****EXAMPLE OF MATTERS WHICH SHOULD FORM PART OF AUDIT DOCUMENTATION WHICH ARE RELATED TO PLANNING STAGES****Part 2 - SA 320****SHORT NOTE ON MATERIALITY****BENCHMARKING**

STEP 1 DECIDE BENCHMARK



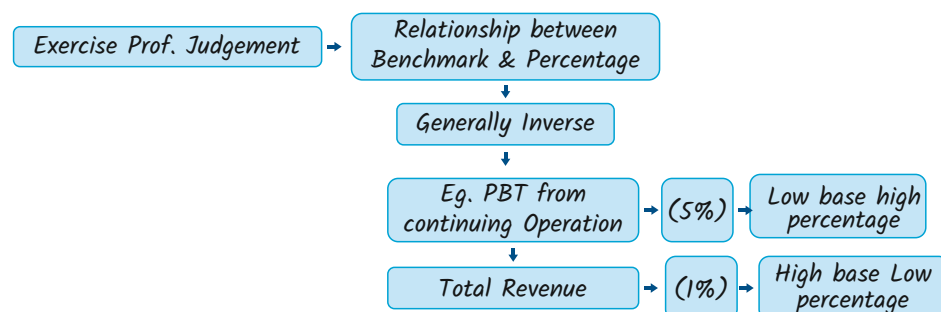
CNO--SA300.040

STEP 2 NORMALIZATION

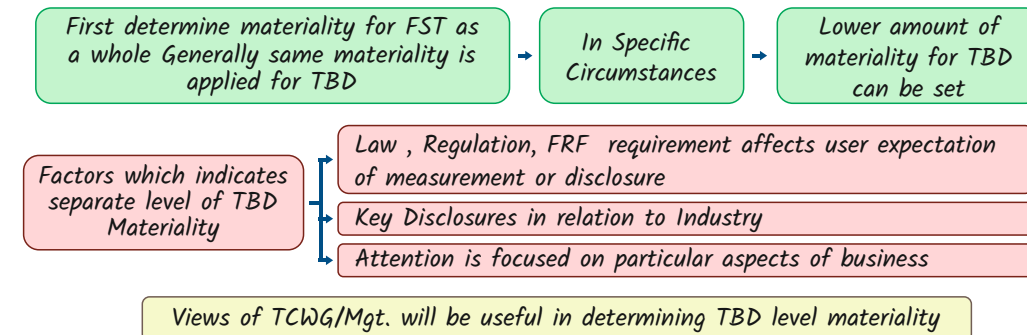


CNO--SA300.040 (MCQ-320.1)

STEP 3 DETERMINE PERCENTAGE

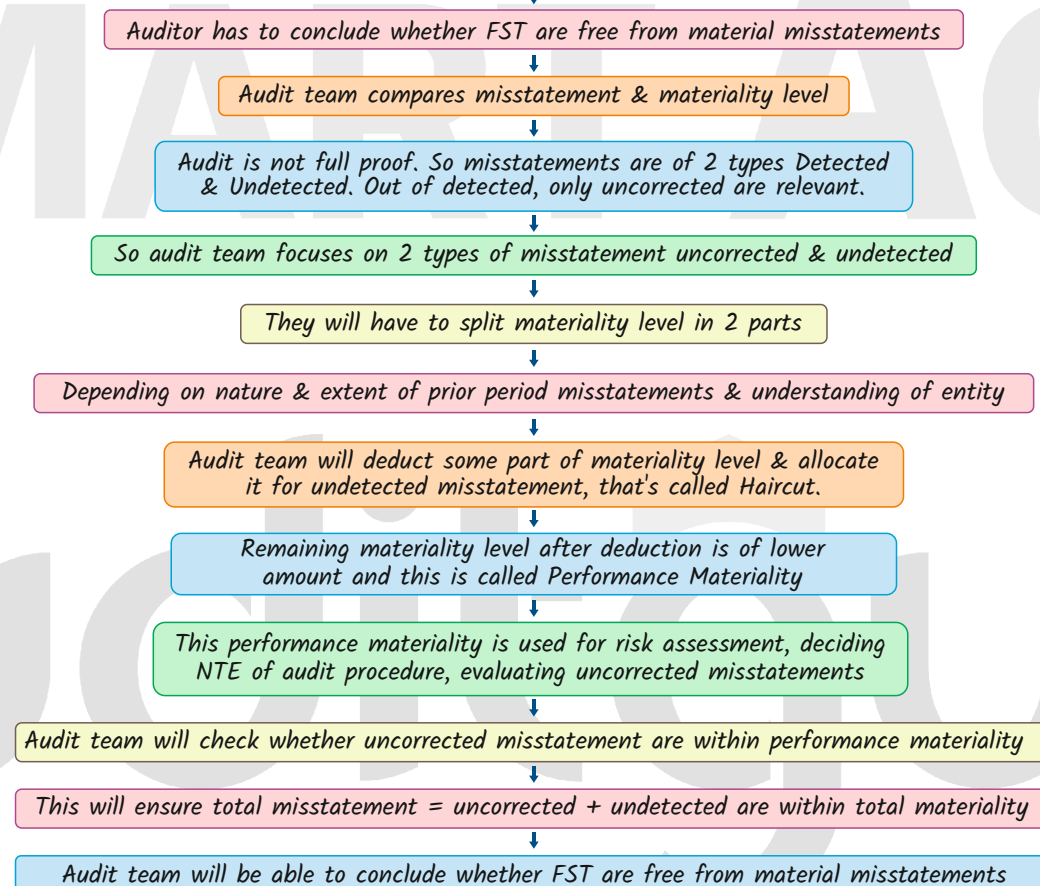


MATERIALITY FST LEVEL VS TBD LEVEL

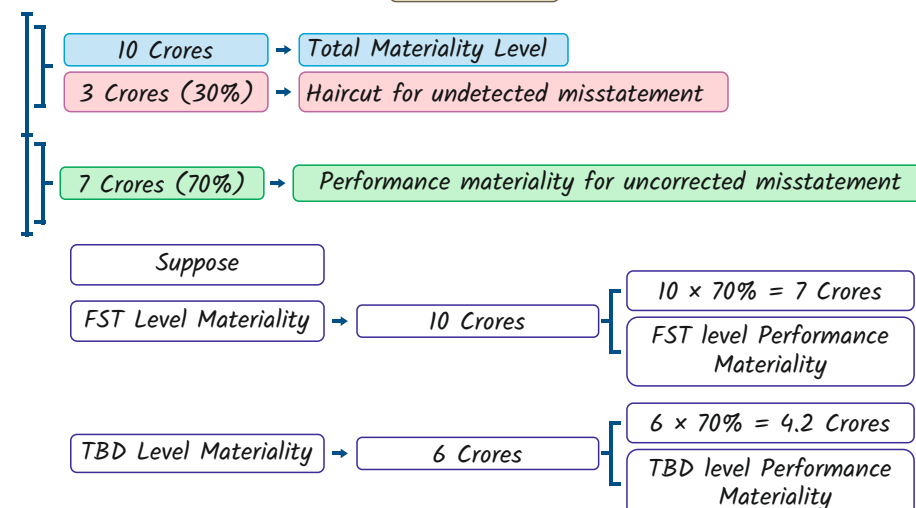


CNO--SA320.080 (MCQ- Incs.02.3)

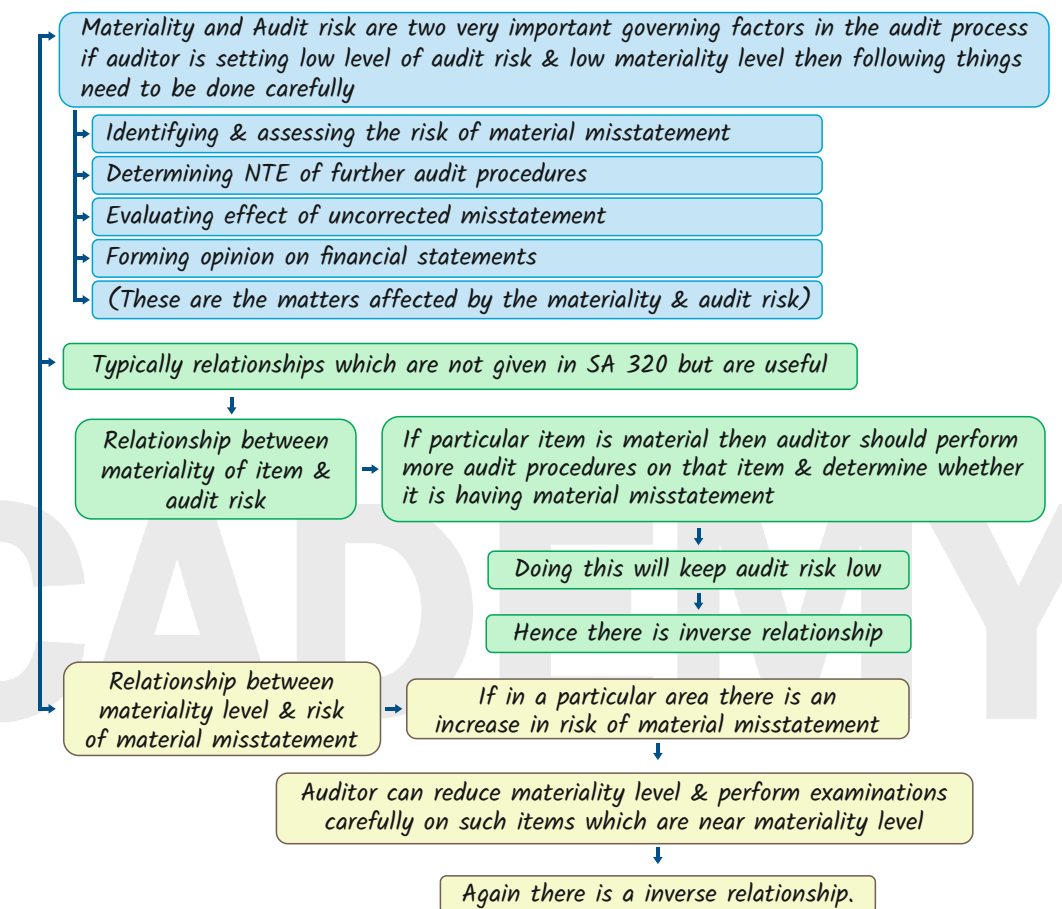
PERFORMANCE MATERIALITY



EXAMPLE

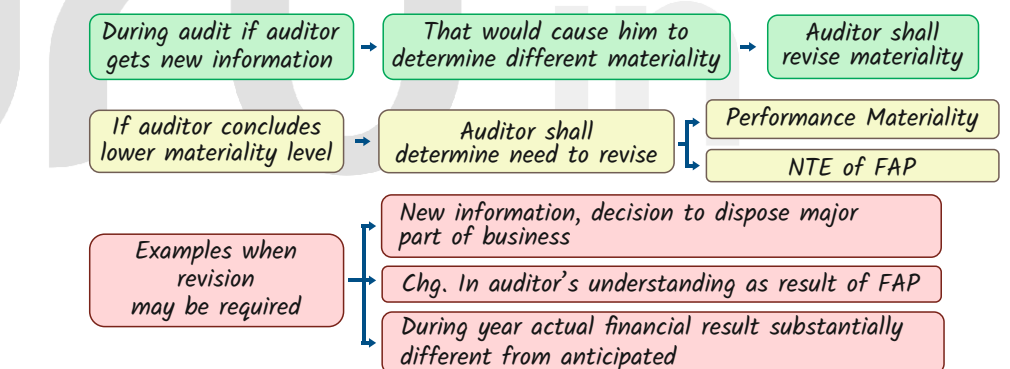


RELATIONSHIP BETWEEN MATERIALITY & AUDIT RISK



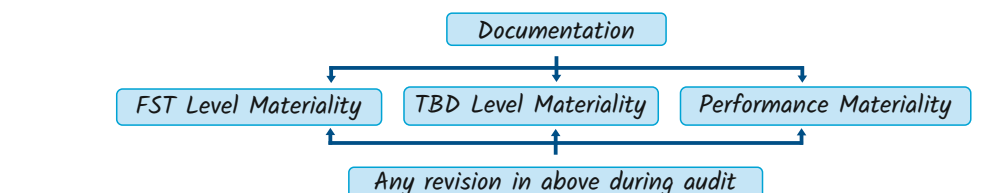
CNO--SA320.120 (QNO-320.07)

REVISION OF MATERIALITY



CNO--SA320.140 (MCQ-Incs.40.4)

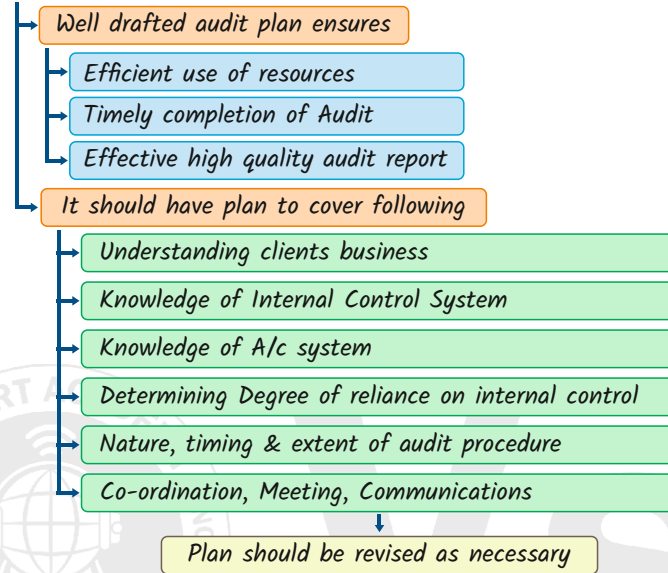
DOCUMENTING THE MATERIALITY



Part 3 - OTHER CONCEPTS

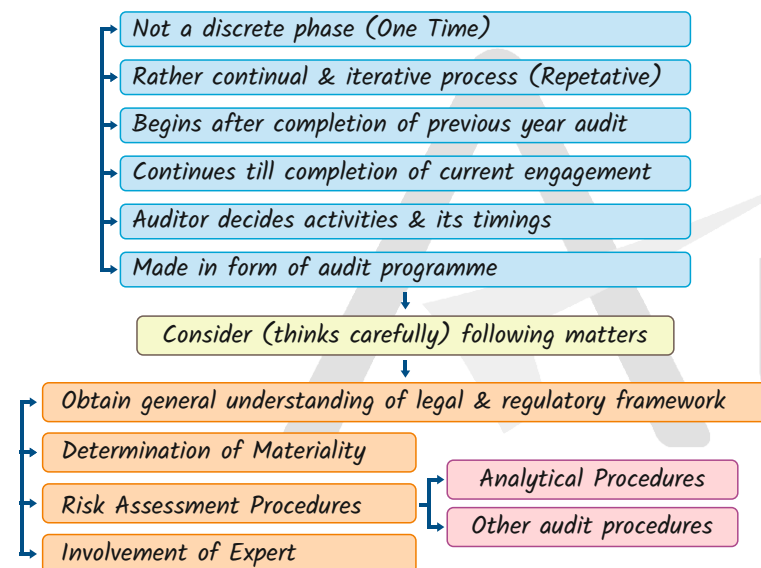
(CNO--C20C.020) (QNO-C20C.020) (MCQ- Incs.34.2, Incs.53.2)

AUDIT PLAN TO CONDUCT EFFECTIVE AUDIT



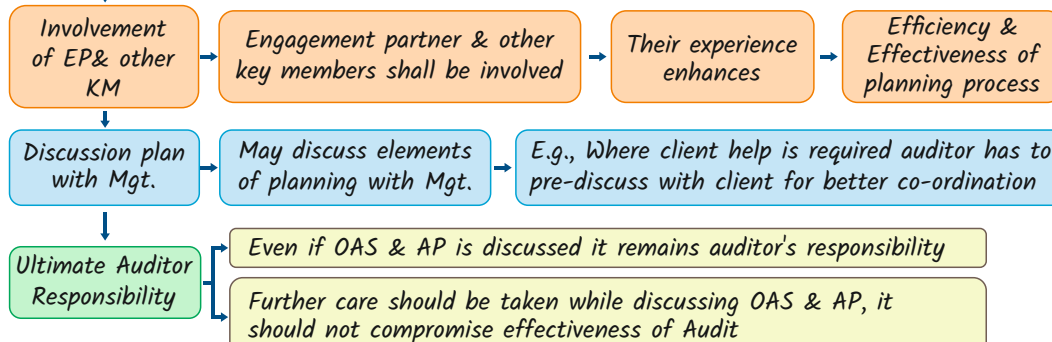
(CNO--C20C.040) (QNO- C20C.040)

PLANNING CONTINUOUS PROCESS



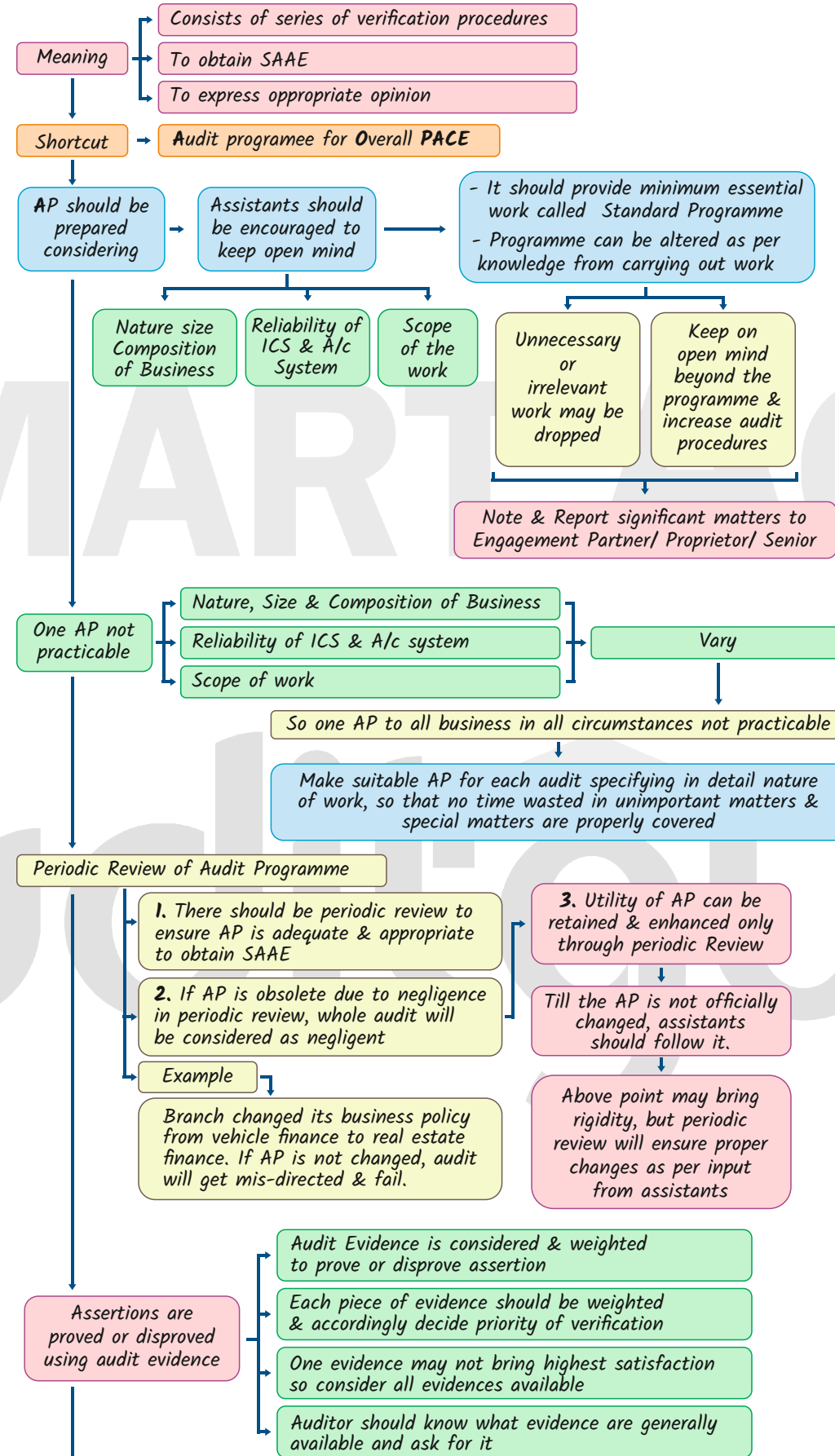
(CNO--C20C.060) (QNO- C20C.060)

OVERALL AUDIT STRATEGY - RESPONSIBILITY OF AUDITOR



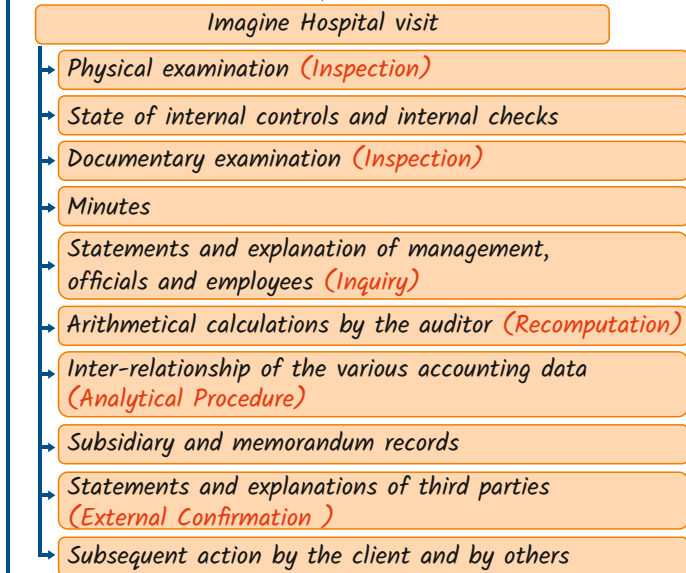
(CNO--C20C.080) (QNO-C20C.085, C20C.090, C20C.087, C20C.080) (MCQ-C20C.1, C20C.2, Incs.32.5, Incs.41.1, Incs.47.1, 300.17)

AUDIT PROGRAMME (AP)

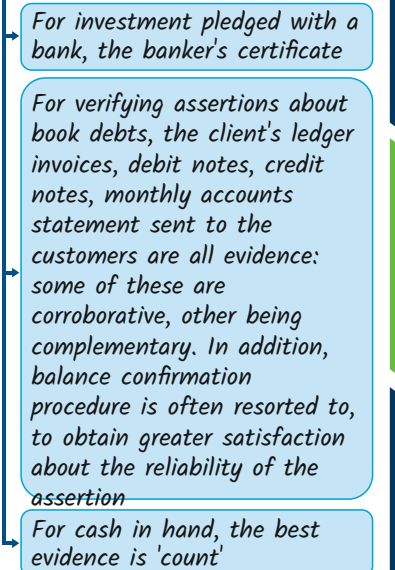


Continue on next column...

Variety of fields for evidence



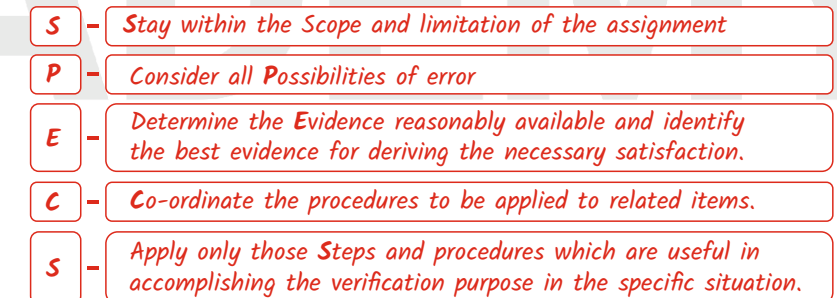
Example of Best Evidence



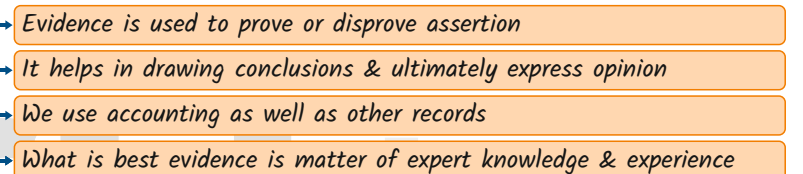
Construction of Audit Programme

Following points should be considered

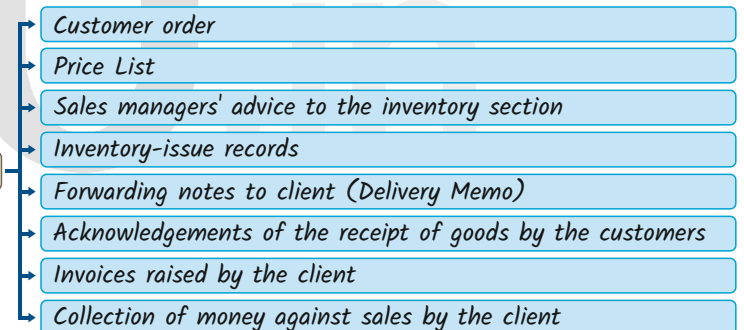
Shortcut - SPECS

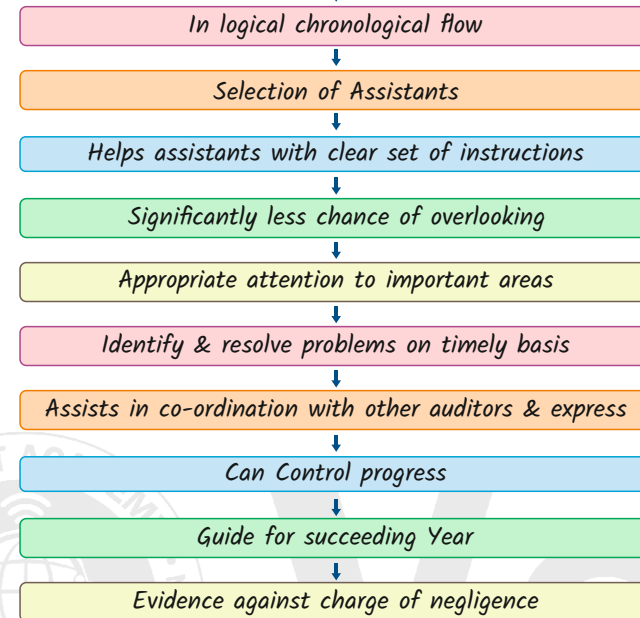


Evidence



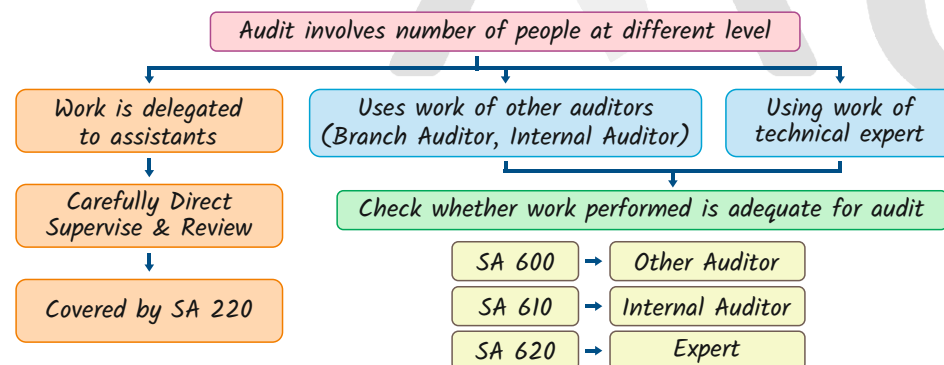
Example



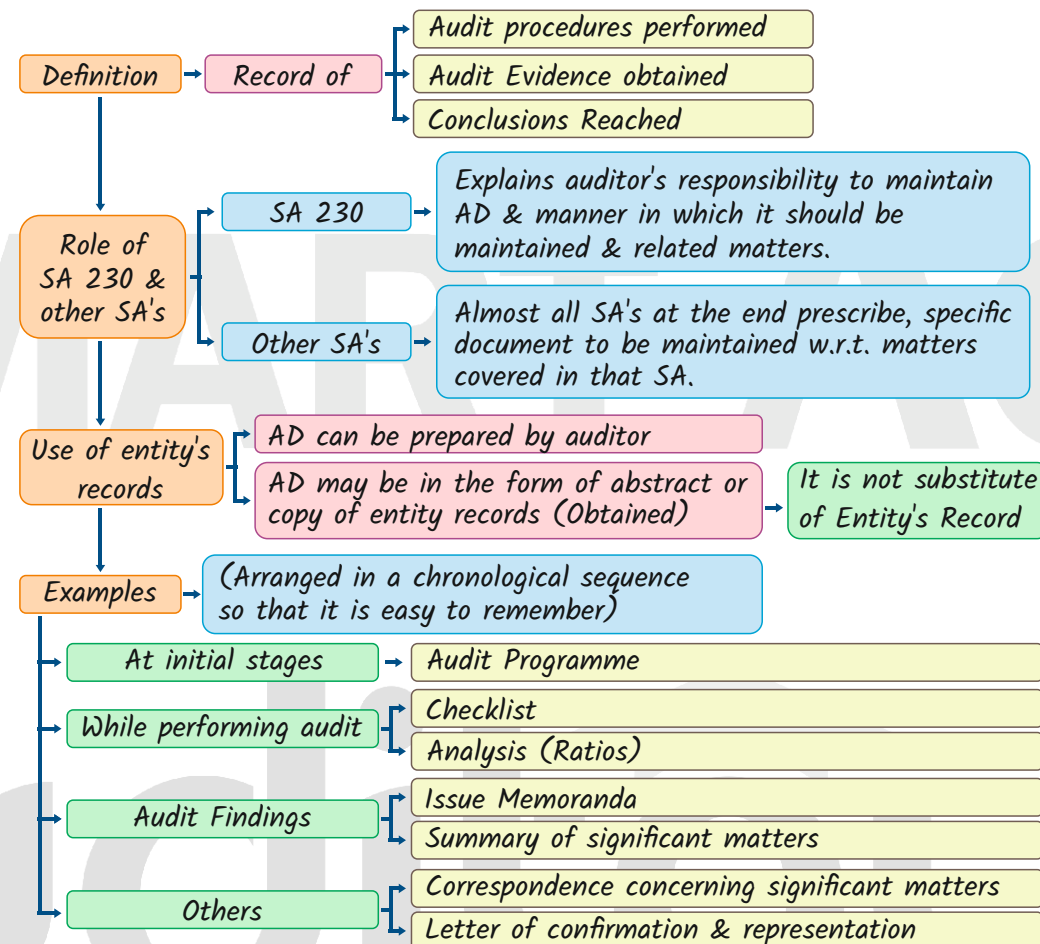
ADVANTAGES OF PLANNING**DISADVANTAGES OF PLANNING**Shortcut - MRI² Disadvantages

- M** - Work may become mechanical, performed without understanding
- R** - Programme may become rigid & inflexible
- I** - Inefficient assistants may take shelter of plan, that no instructions was given in plan
- I** - Initiative of efficient & enterprising assistants may get killed

(CNO--C20C.120)

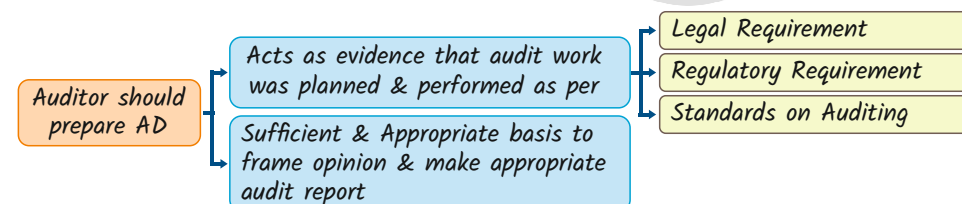
QUALITY CONTROL FOR AUDIT WORK**03****AUDIT DOCUMENTATION AND AUDIT EVIDENCE****Part I - SA 230**

(CNO--SA230.020)

(QNO-230.01) (MCQ-230.1, 230.2, 230.4, 230.5, 230.11, 230.13)
(MCQ-Incs-64.5, Incs.39.4)**WHAT IS AUDIT DOCUMENTATION ?**

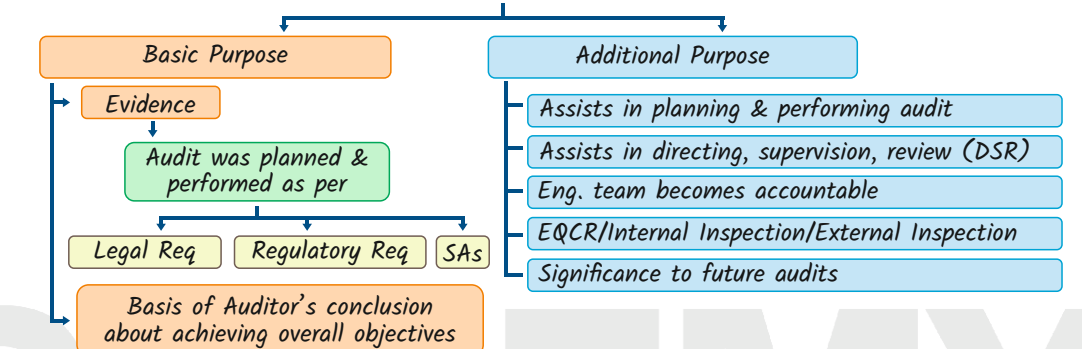
(CNO--SA230.030)

(MCQ-230.4)

OBJECTIVE OF SA 230

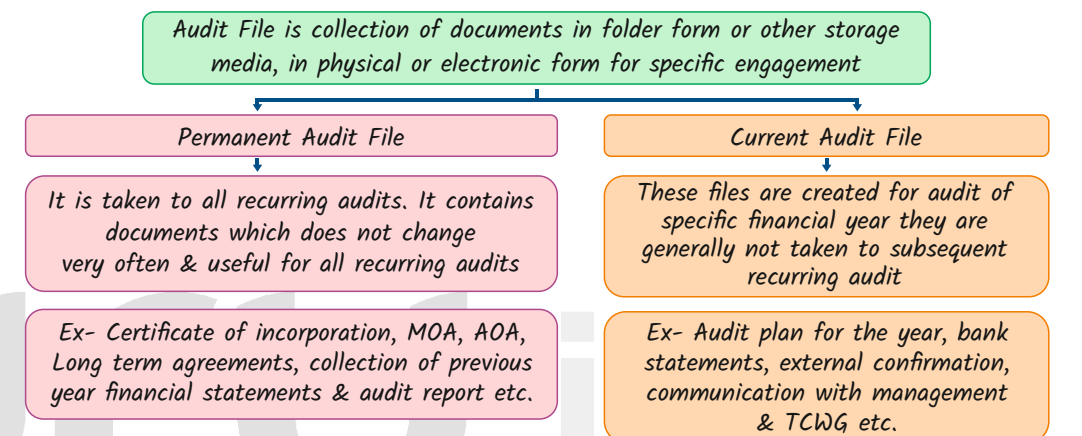
(CNO--SA230.040)

(MCQ-Incs-S2.1)

PURPOSE/ADVANTAGE/IMPORTANCE/NEED OF AUDIT DOCUMENTATION (AD)

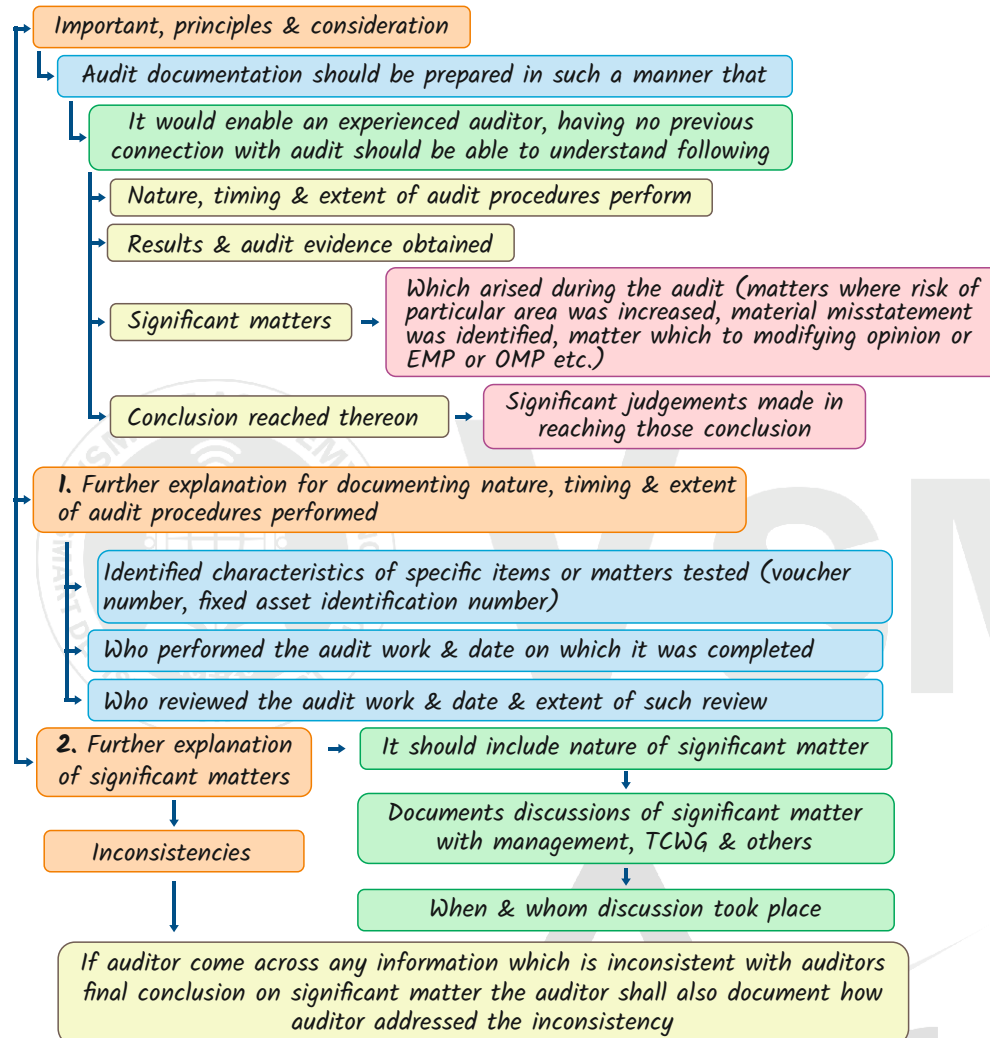
(CNO--SA230.060)

(MCQ-230.20, Incs.39.1)

TYPES OF AUDIT FILE

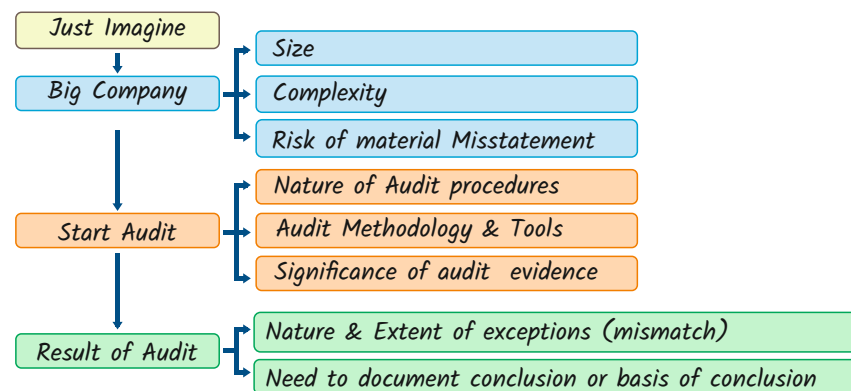
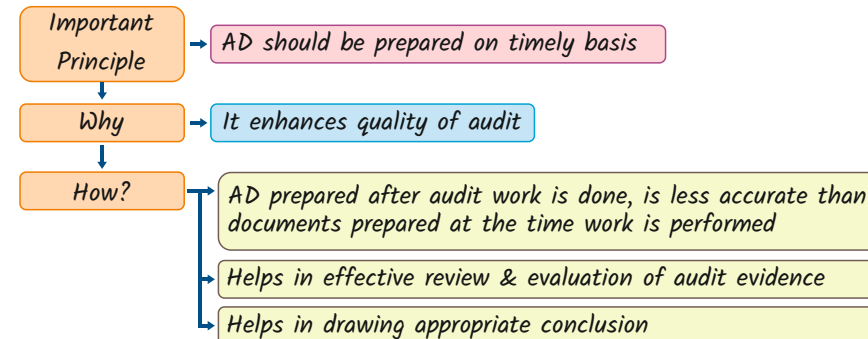
FORM, CONTENT & EXTENT OF AUDIT DOCUMENTATION

(Important principles & consideration)

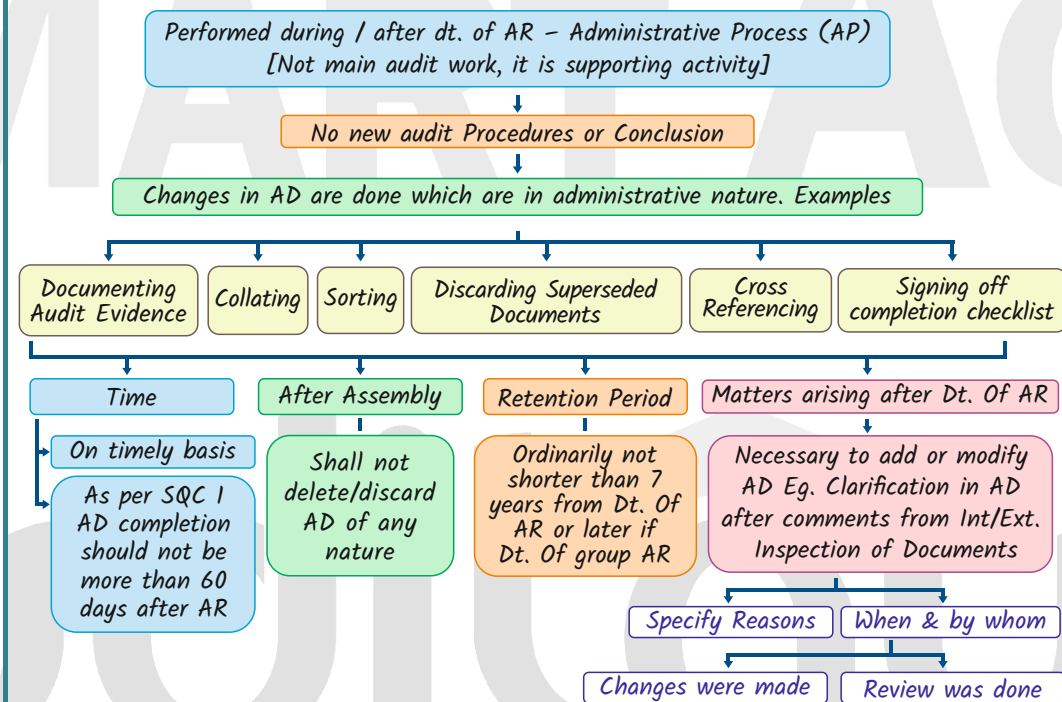


(CNO--SA230.100)

(QNO-230.13) (MCQ 230.12, Incs.39.2)

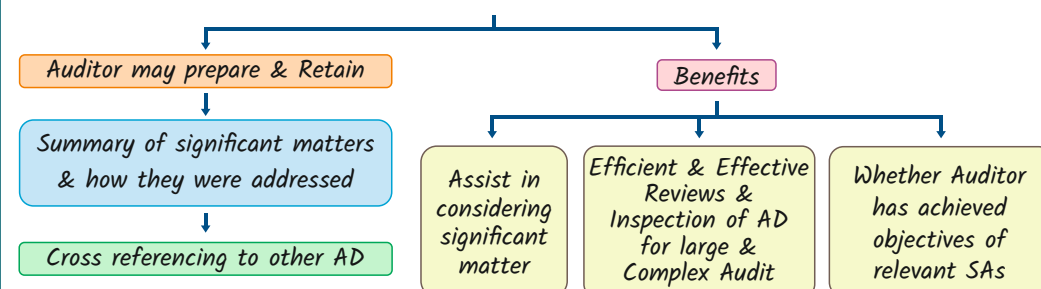
FACTORS AFFECTING FORM, CONTENT & EXTENT OF AUDIT**TIMELY PREPARATION**

(CNO--SA230.120) (QNO-230.15, 230.03) (MCQ- 230.3, 230.7, 230.8, 230.9, 230.14, 230.16, 230.17, 230.18, 230.21, 230.22, 230.23, -Incs-52.2, Incs-62.5, Incs.40.1)

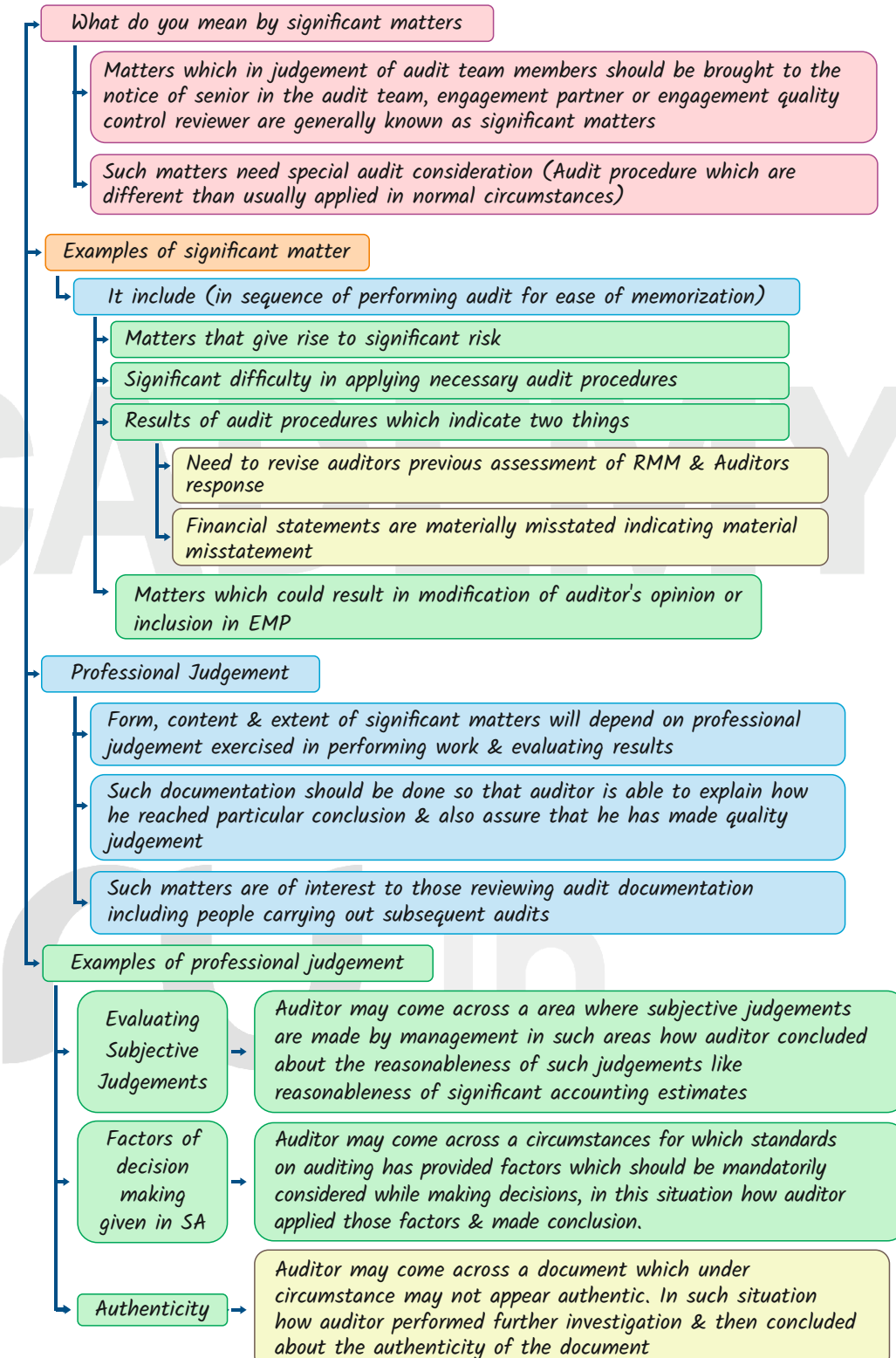
ASSEMBLY OF AUDIT FILE

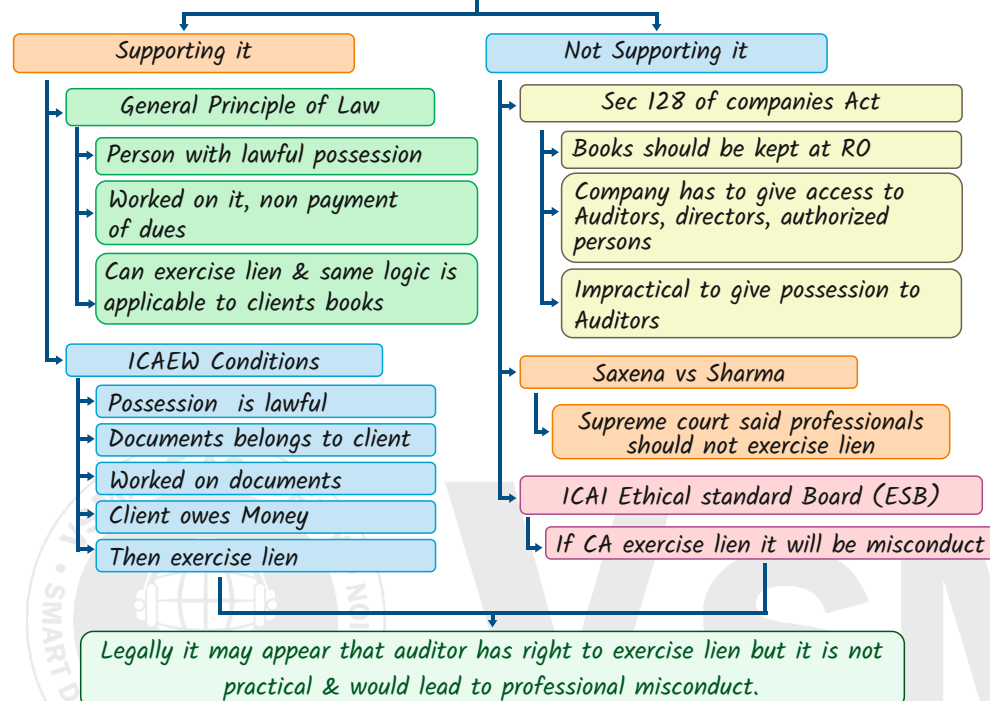
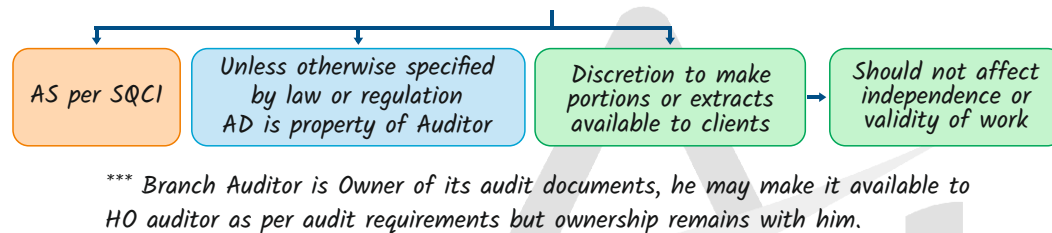
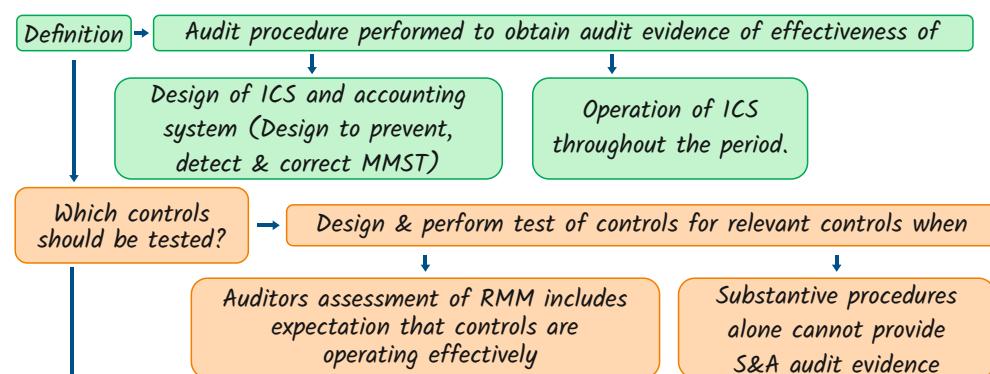
***Note- Superseded documents means notes that reflect preliminary or incomplete thinking, previous year document with typographical or other errors, duplicate documents or draft working papers or financial statements which are no longer required because we have a final version of those documents.

(CNO--SA230.140) (QNO-230.17) (MCQ-Incs.23.1, Incs.40.2)

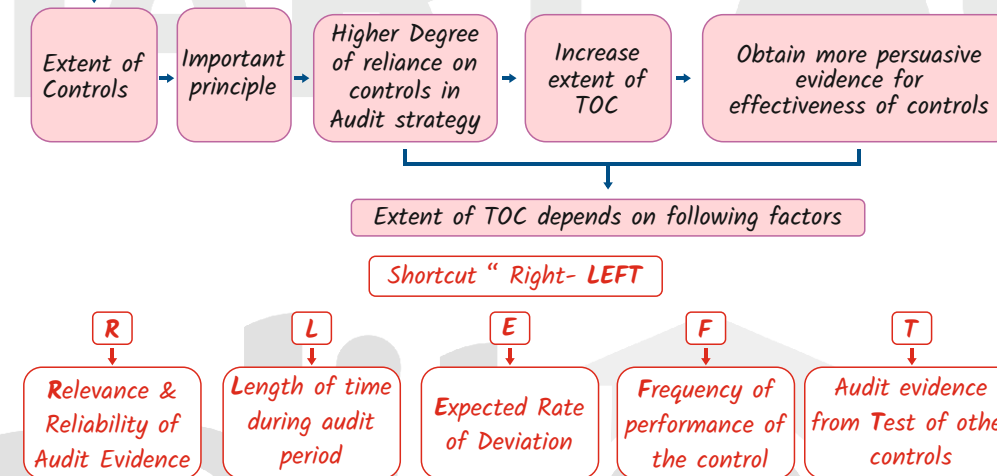
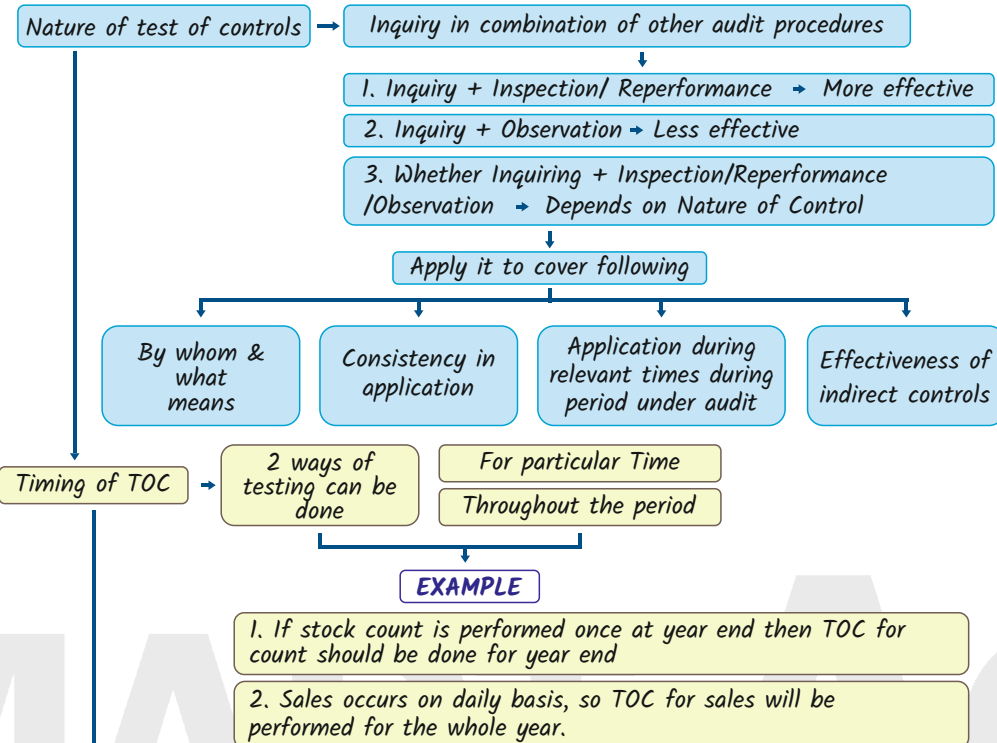
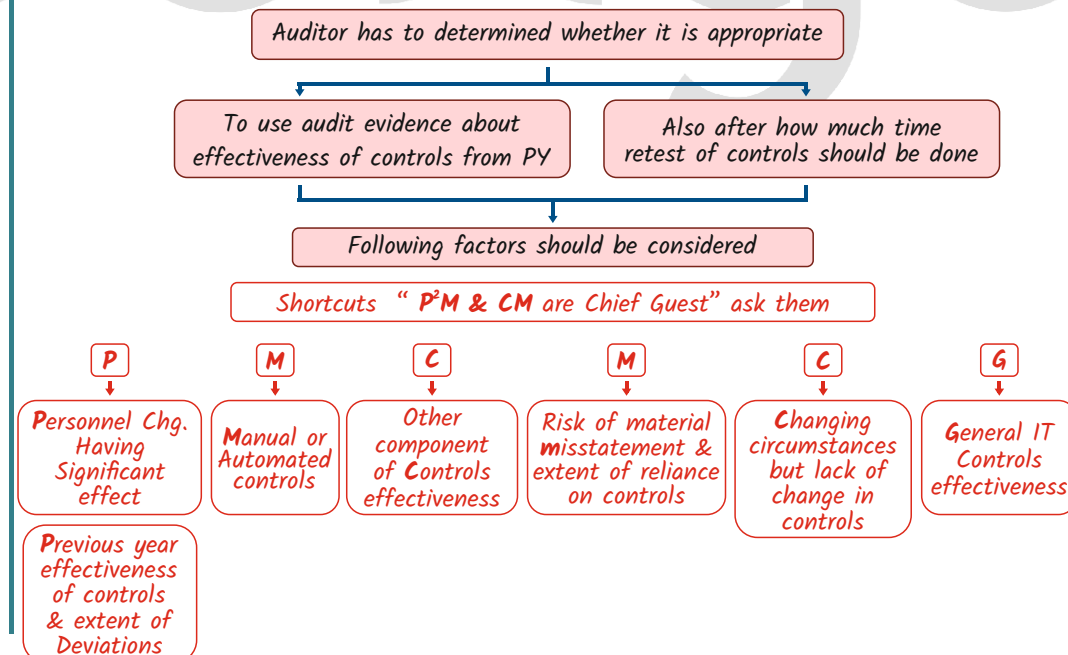
COMPLETION MEMORANDUM

Continue on next column...

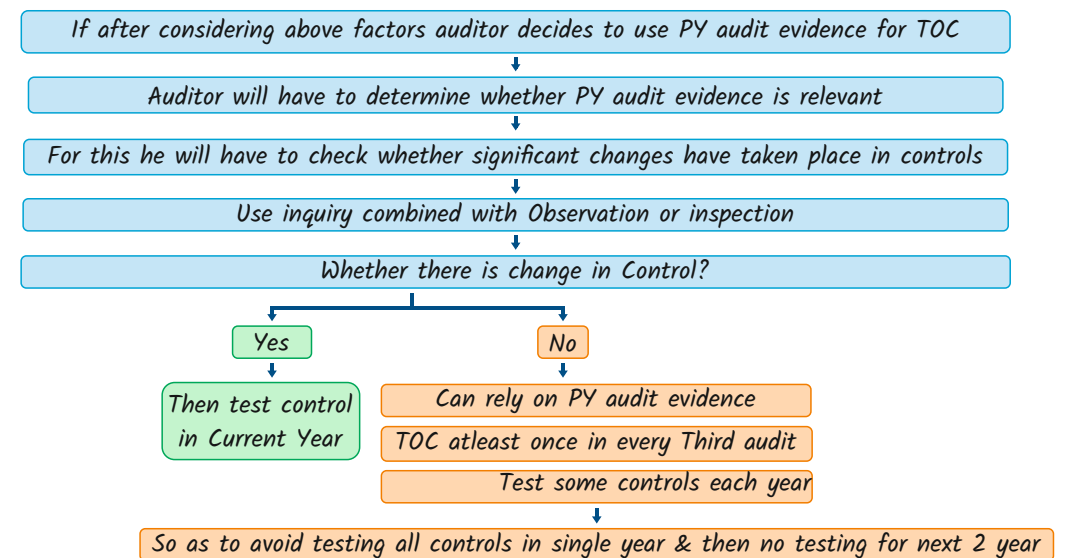
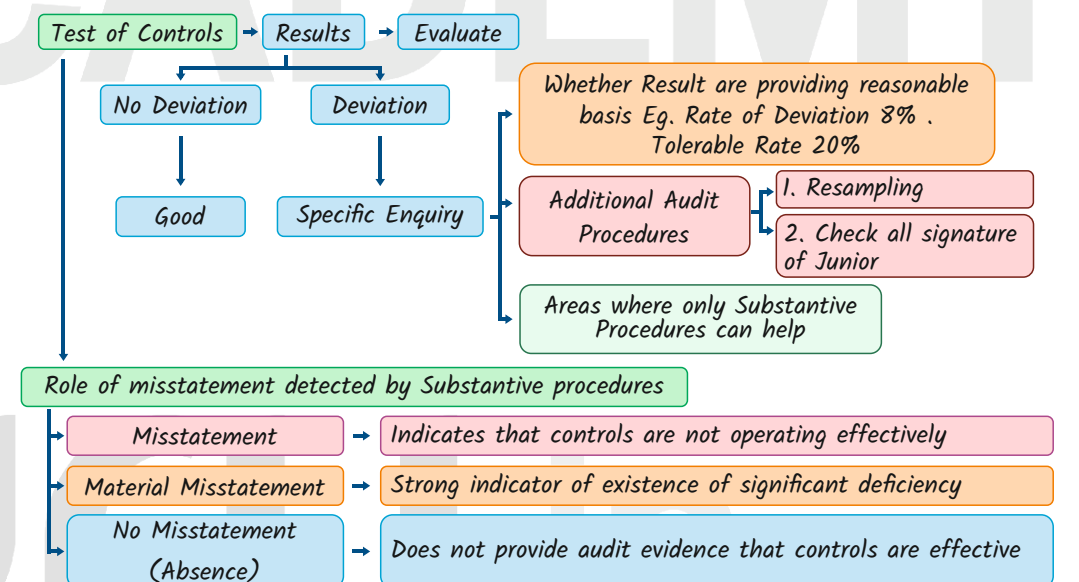
DOCUMENTATION OF SIGNIFICANT MATTERS & RELATED SIGNIFICANT PROFESSIONAL JUDGEMENT

RIGHT TO LIEN**OWNERSHIP OF AUDIT DOCUMENTATION****Part 2 – SA 330****TEST OF CONTROLS (TOC)**

Continue on next column...

**USING AUDIT EVIDENCE OBTAINED IN PREVIOUS YEAR**

Continue on next column...

**EVALUATING OPERATING EFFECTIVENESS OF CONTROLS**

PROCEDURAL TESTS (TRADITIONAL THEORY)

Testing of controls should be done in 2 ways

Procedural Tests (Tests of Compliance)

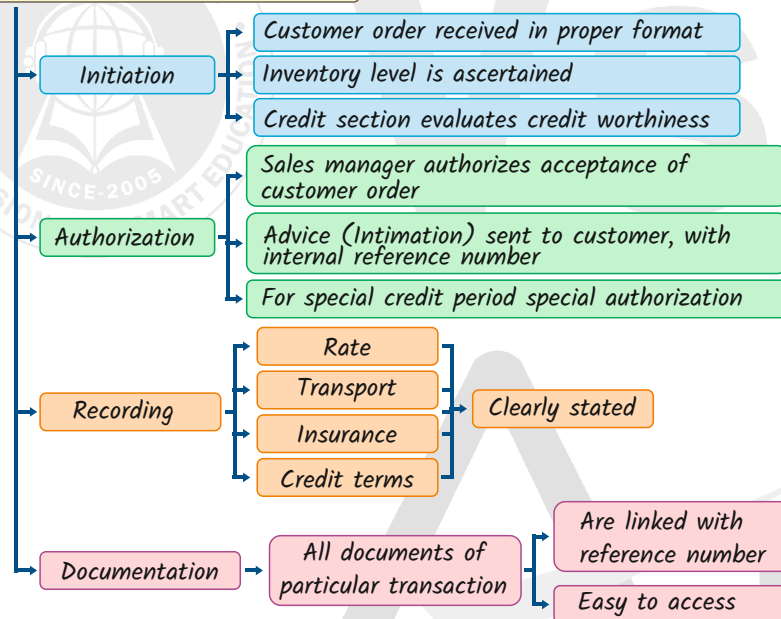
- Whether procedures are designed for each stage
- Are they prima-facie effective?
- Whether employees understand it
- Are employees complying with it

Stages

- Initiation
- Authorization
- Recording
- Documentation

Examination In-depth

- Select few transaction
- Check them from beginning till end
- Ensure each transaction was properly initiated, authorized, recorded & documented

Example of Procedural Test for sales**DESIGNING & PERFORMING \ SUBSTANTIVE PROCEDURES (SP)**

1. Auditor shall Design & Perform Substantive Procedures for each MATERIAL TBD

Irrespective of assessed RMM

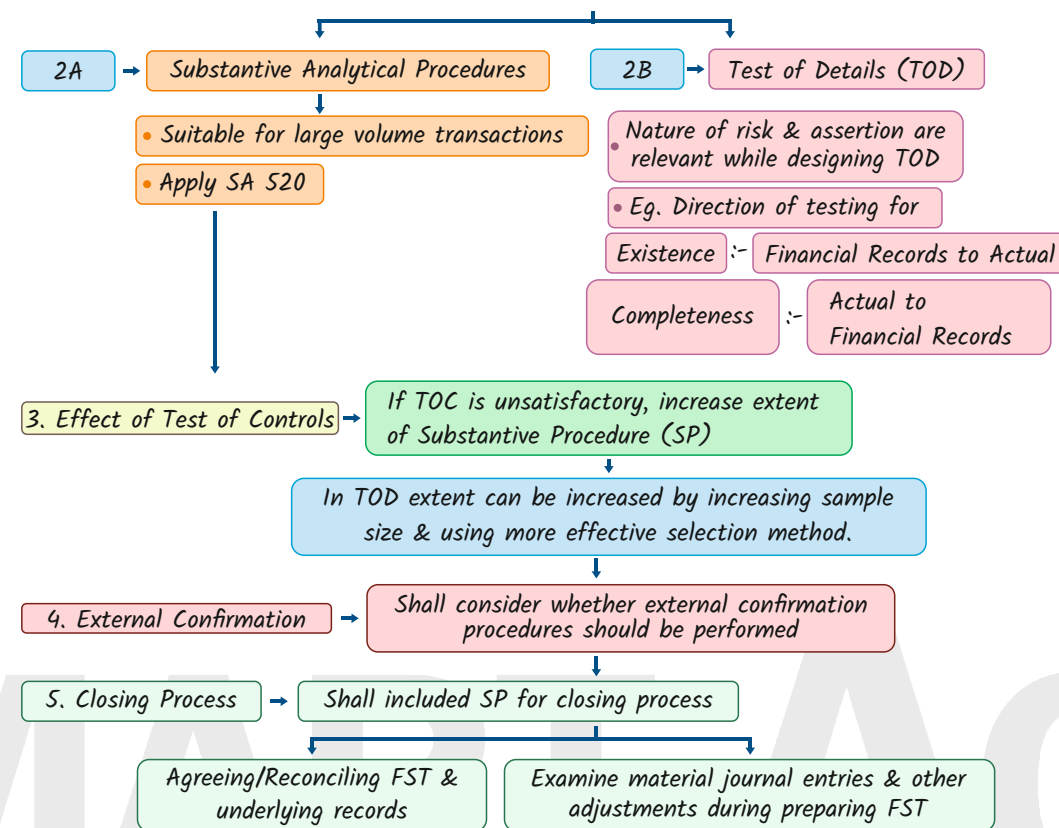
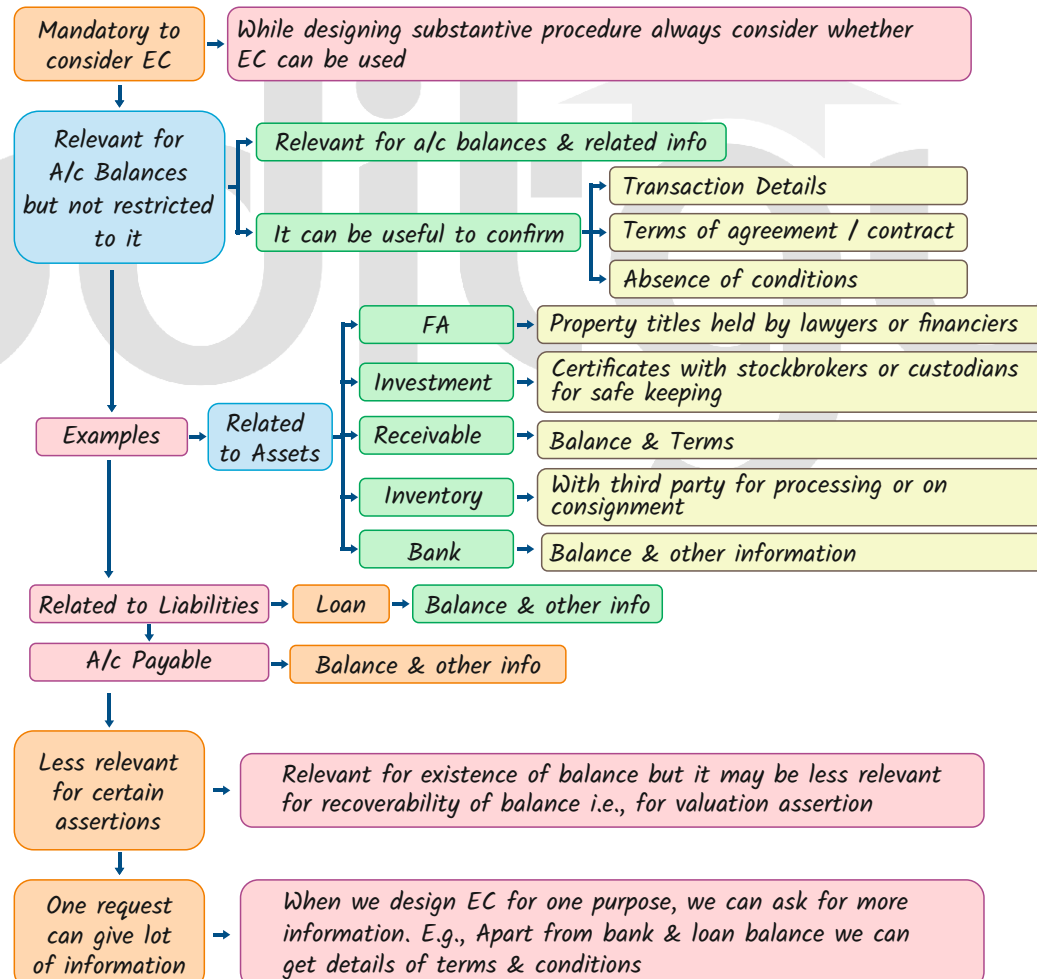
Because

- Risk assessment is judgement based & may not identify all risks
- There are inherent limitations in ICS (Including Mgt. override)

2. Auditor may perform any of the following

- Only substantive analytical procedures
- Only test of details
- Combination of above 2

Continue on next column...

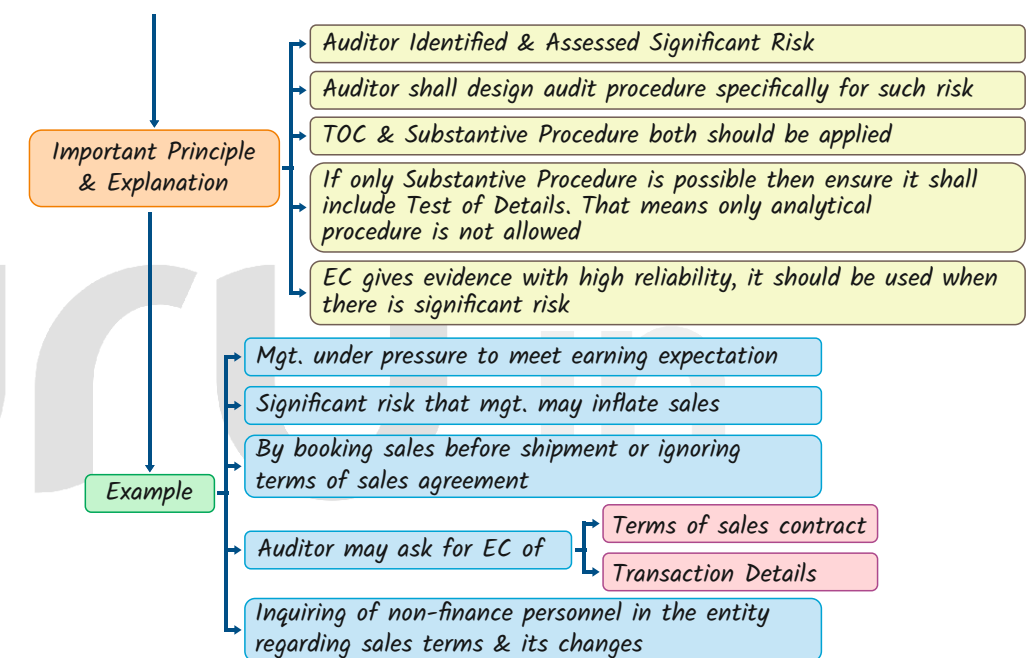
**EXTERNAL CONFIRMATION AS SUBSTANTIVE PROCEDURE****FACTORS AFFECTING USE OF EC**

Shortcut - "OK-A"

- Objectivity of TP → If it is related to entity, EC will be less reliable
- Knowledge of subject matter of TP → If not having requisite knowledge EC will be less reliable
- Ability & willingness → If there is lack of willingness or ability EC will be less reliable

Situation which indicates lack of willingness & Ability

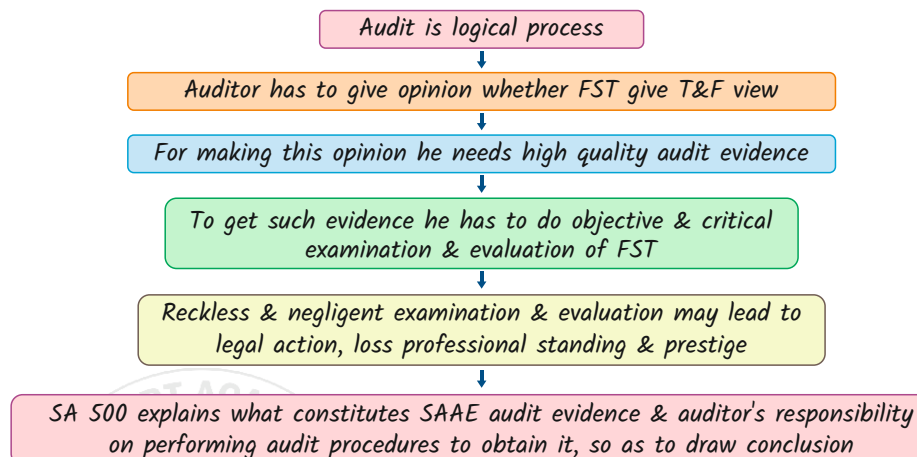
- Willingness
 - TP may operate in environment where responding to EC request is not significant (important)
 - TP may not accept responsibility to respond for EC request
 - TP may be concerned with potential legal liability resulting from responding
- Ability
 - TP may consider responding too costly or time consuming
 - May account for transaction in different currency

SUBSTANTIVE PROCEDURES RESPONSIVE TO SIGNIFICANT RISKS

Part 3 -- SA 500

(CNO--SA500.010)

ROLE OF AUDIT EVIDENCE



(CNO--SA500.020)

(QNO-500.01) (MCQ-500.1)

AUDIT EVIDENCE

Meaning

Anything which helps auditor to draw conclusions on financial statements whether they give true & fair view is audit evidence

Generally includes two types of information

Accounting records

All the documents which are prepared during the course of accounting process are covered here Ex- Vouchers, Worksheets, Cost allocation, Depreciation calculation, Journal entries, Ledger, Trial Balance

Other information

It helps to authenticate accounting records & support true & fair view of financial statement

- Legal records AOA, MOA, BOD minutes, court orders
- Employee records communication with employees, employee register etc.
- Production records consumption
- Confirmations from third parties

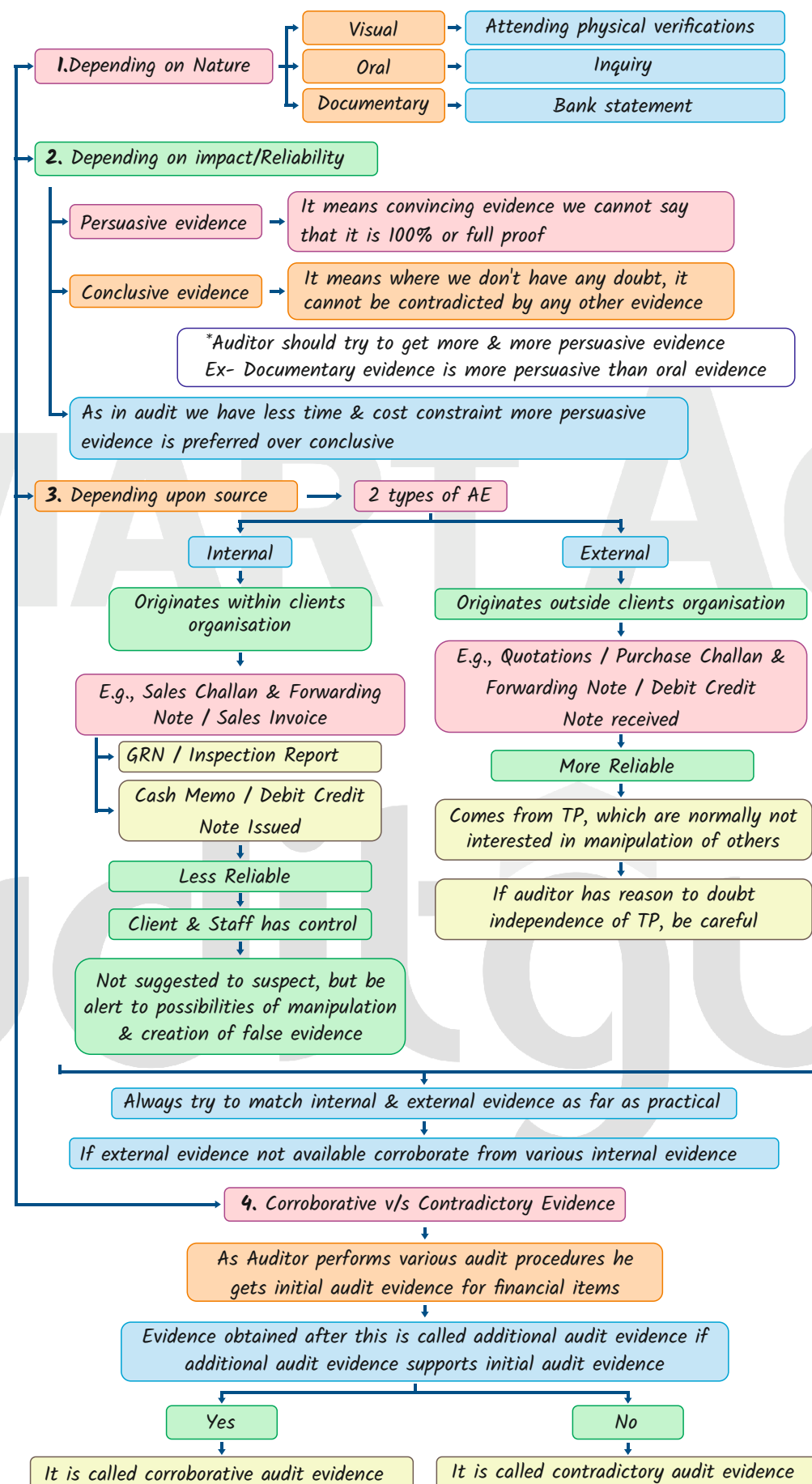
Approaches by Auditor

He uses combination of accounting records & other information

(CNO--SA500.040)

(MCQ- Incs.18.4)

TYPES OF AUDIT EVIDENCE



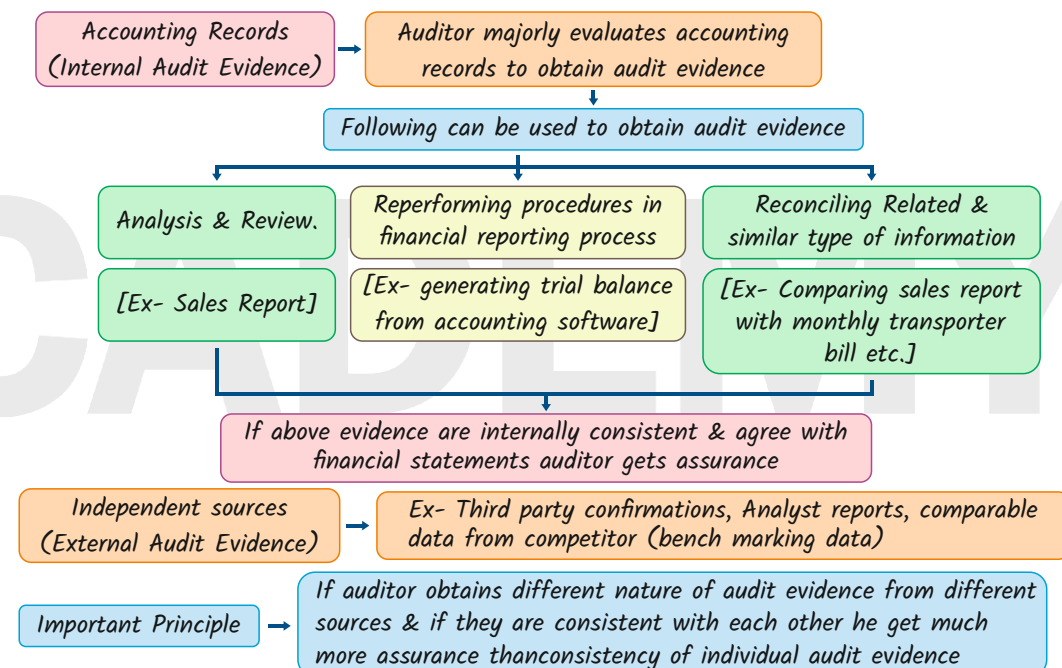
(CNO--SA500.050)

OBJECTIVE OF SA 500

Obtain SAAE, to draw conclusions on FST items & frame opinion on FST

For this design & perform audit procedures

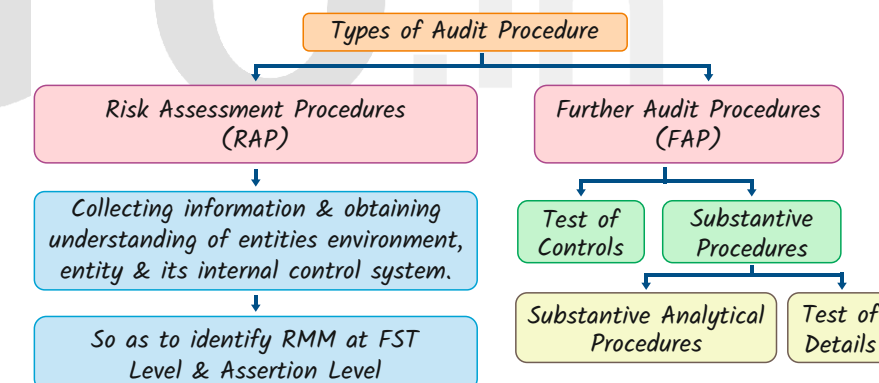
(CNO--SA500.060)

SOURCE OF AUDIT EVIDENCE
ROLE OF A/C RECORDS

(CNO--SA500.070)

(MCQ-500.14,500.15)

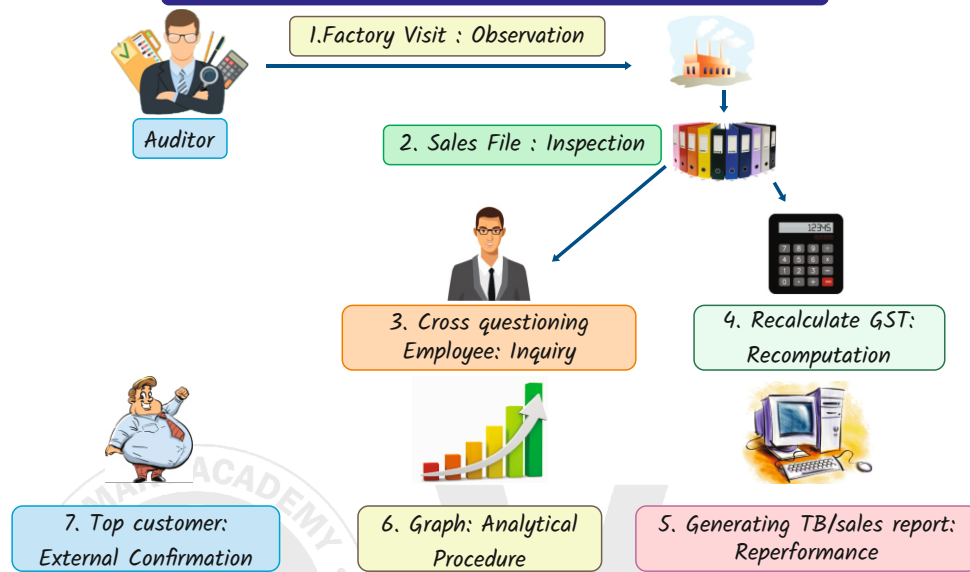
AUDIT PROCEDURE TO OBTAIN EVIDENCE



(CNO--SAS00.080)

(QNO-500.05) (MCQ-500.3,500.7,500.8, 500.13, 500.16, Incs.S1.1, Incs.S1.2, Incs.S1.3, Incs.S1.4, Incs.S1.5)

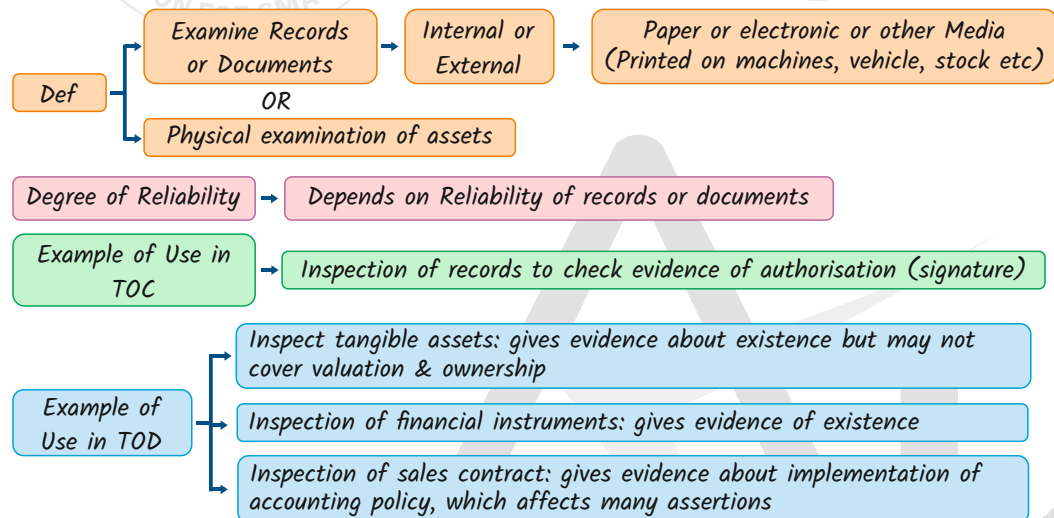
METHOD OF COLLECTING AUDIT EVIDENCE



(CNO--SAS00.100)

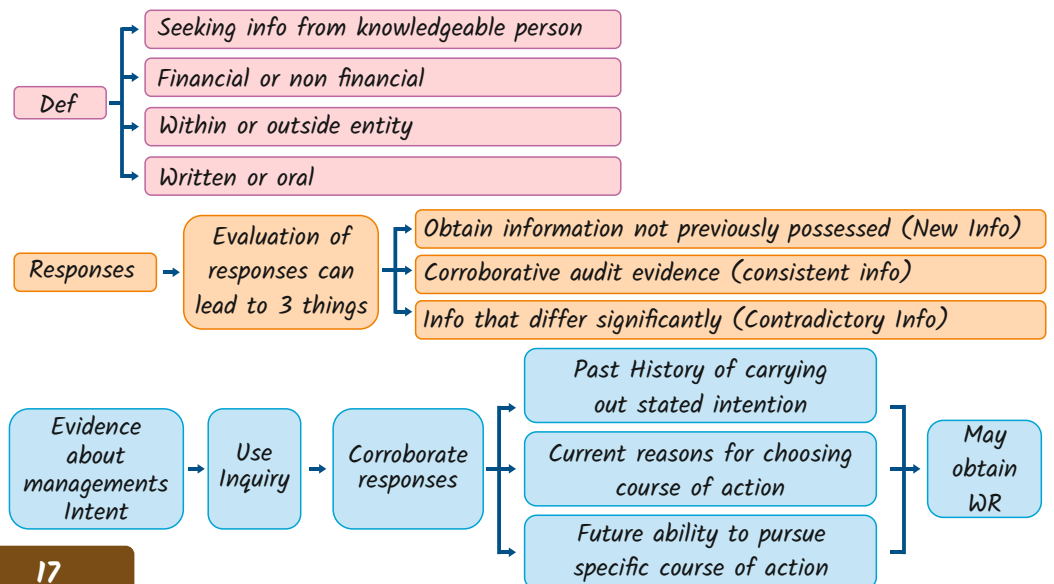
(QNO-500.05, 500.13)

INSPECTION



(CNO--SAS00.100)

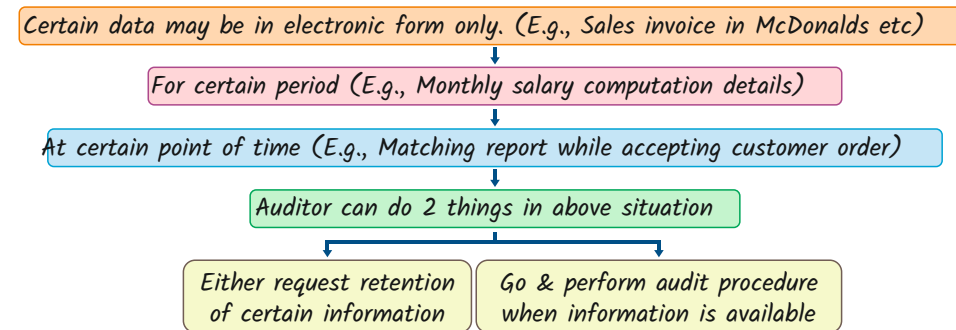
INQUIRY



(CNO--SAS00.110)

(QNO-500.14)

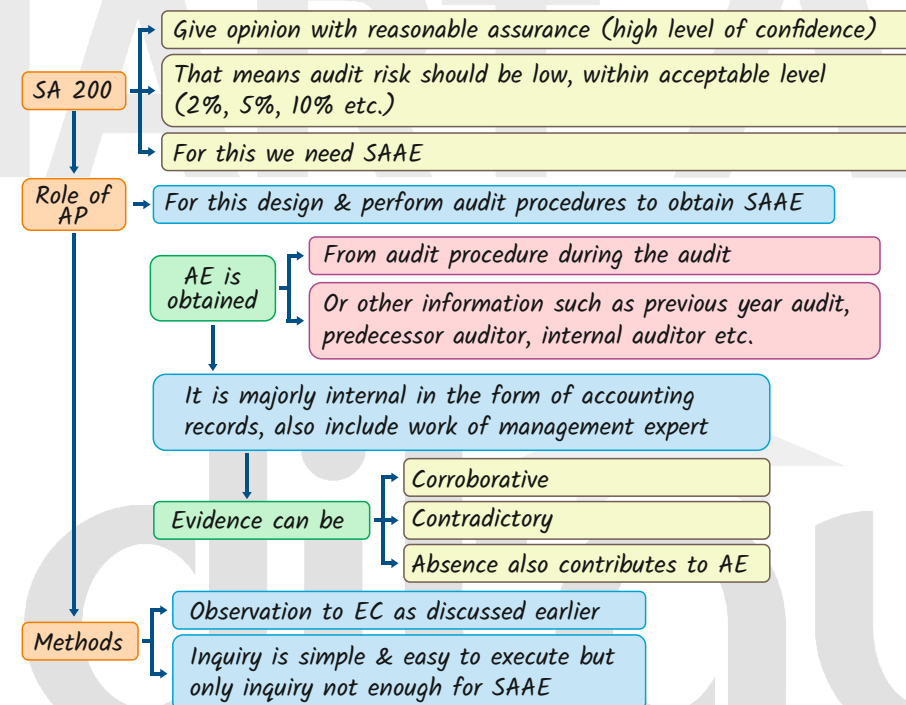
NATURE & TIMING OF AP CHANGE IF DATA IS IN ELECTRONIC FORM



(CNO--SAS00.120)

(QNO-500.03) (MCQ-Incs.44.5)

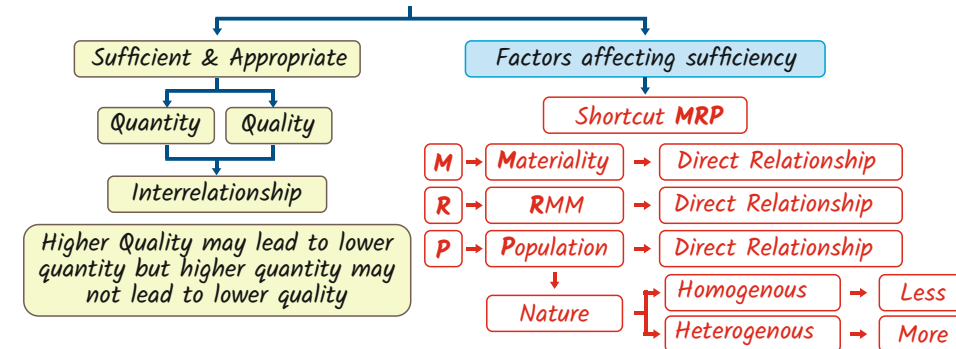
SUFFICIENT & APPROPRIATE EVIDENCE



(CNO--SAS00.125)

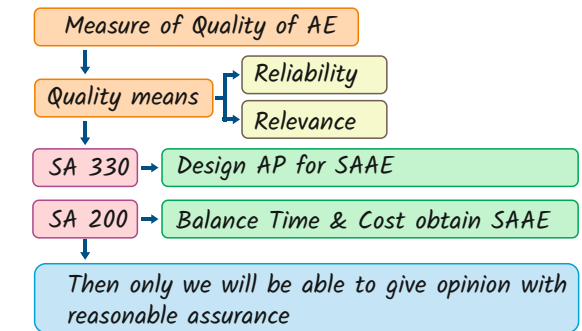
(QNO-500.07) (MCQ-500.4, 500.11)

SUFFICIENCY OF AUDIT EVIDENCE



(CNO--SAS00.135)

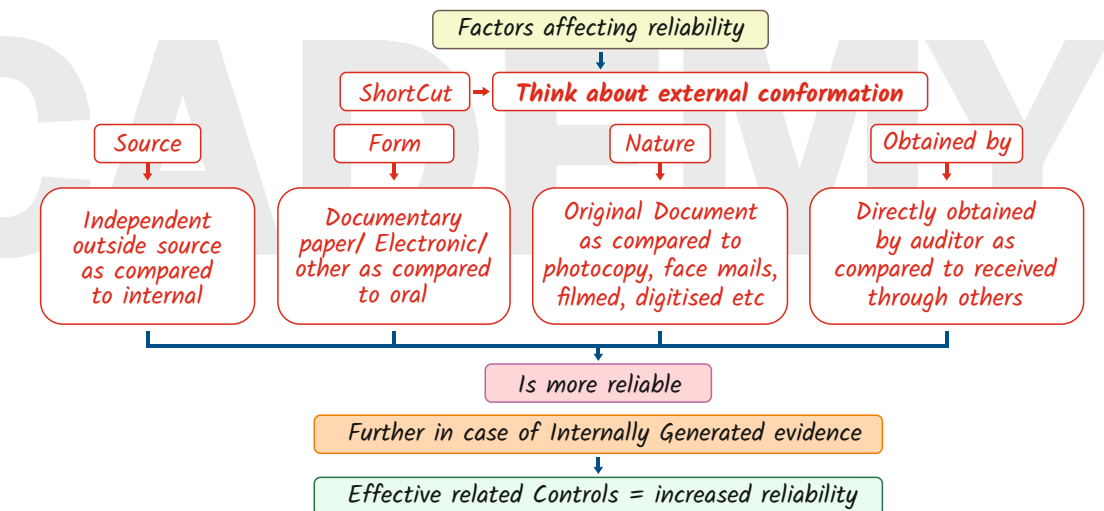
APPROPRIATENESS OF AE



(CNO--SAS00.140)

(QNO-500.09)

RELIABILITY



CA Vishal Bhattad's
VSMART ACADEMY
Auditguru.in

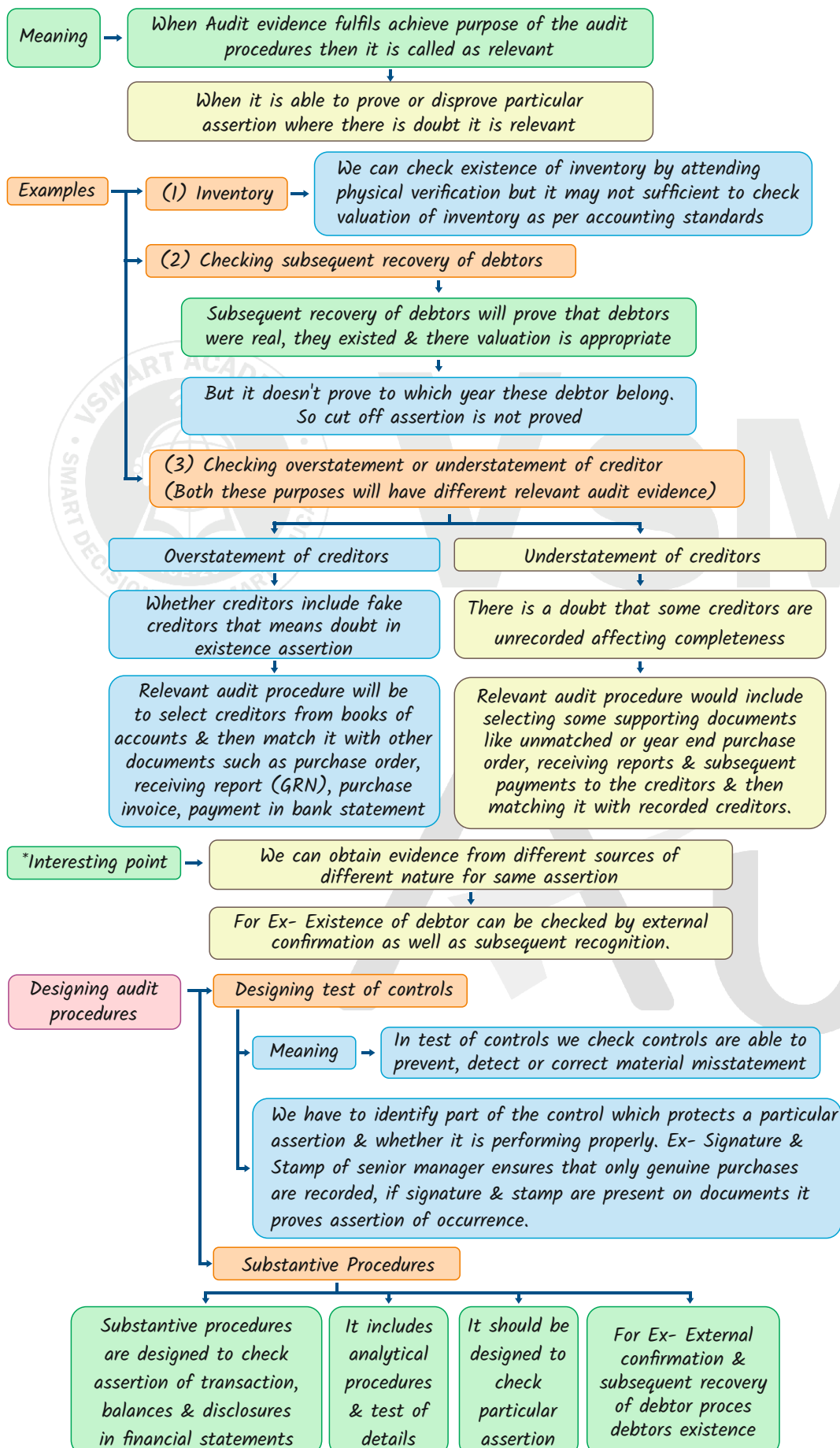
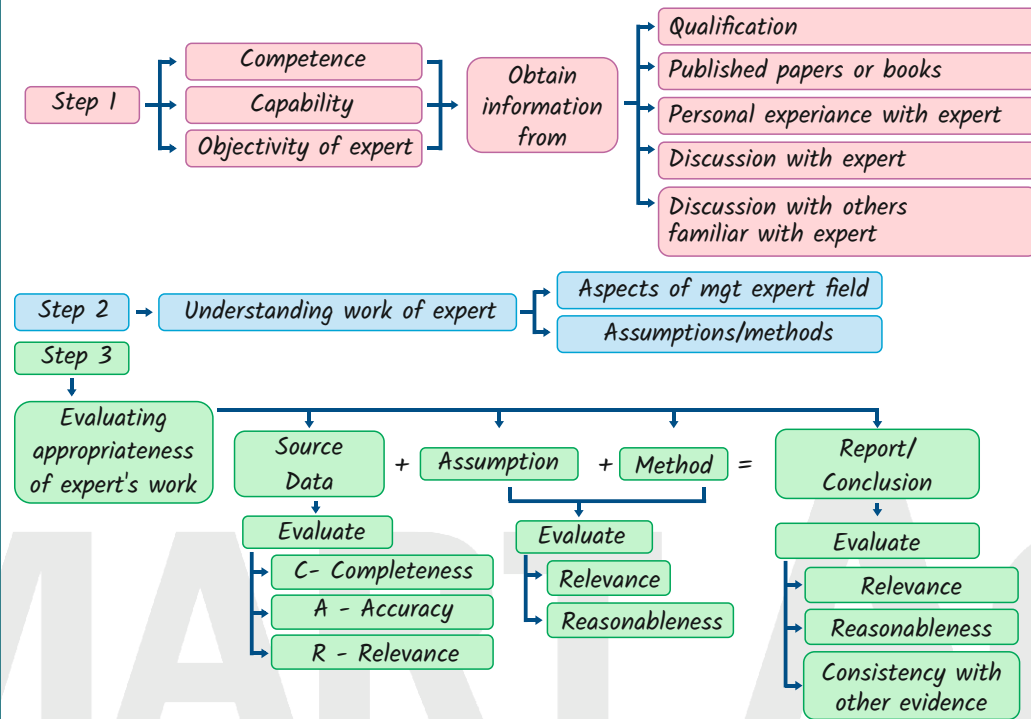
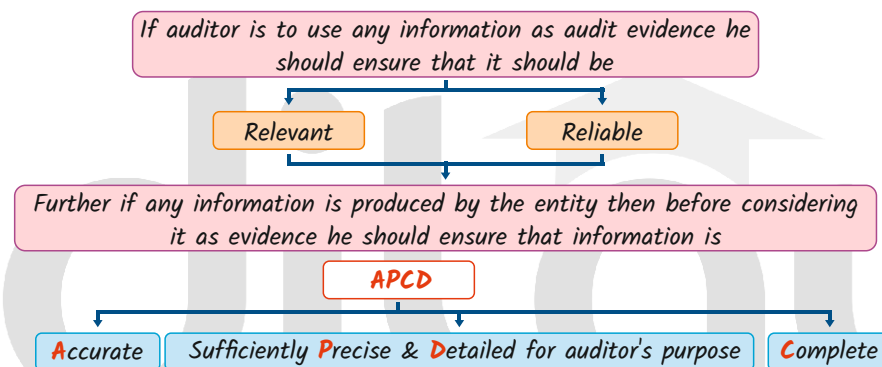
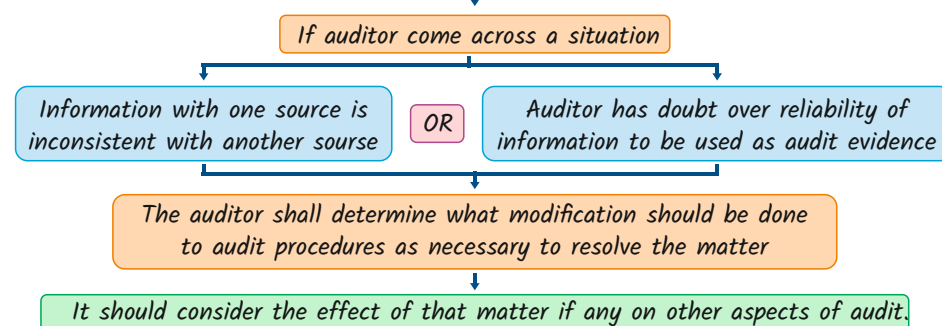
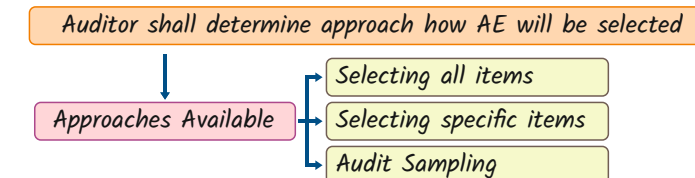
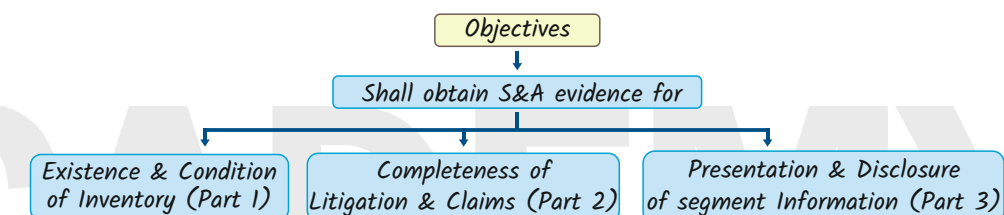
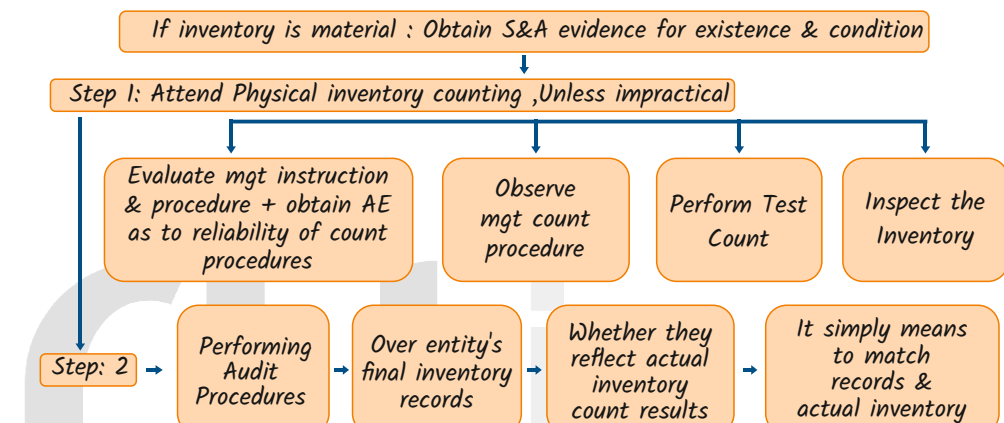
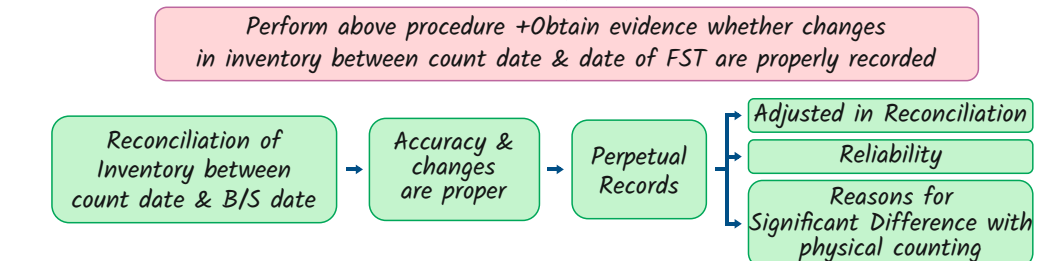
CA Ravi Taori

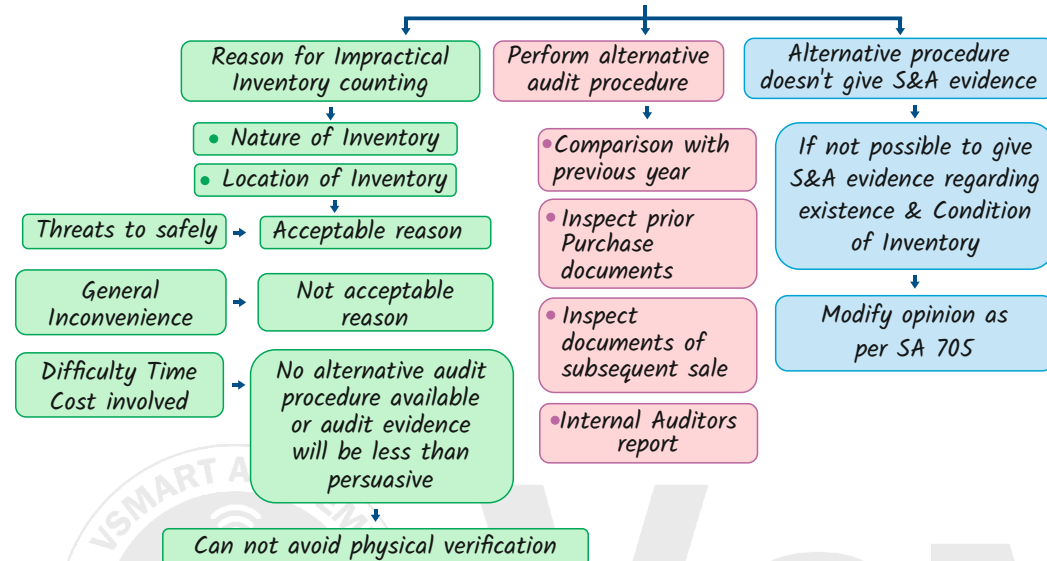
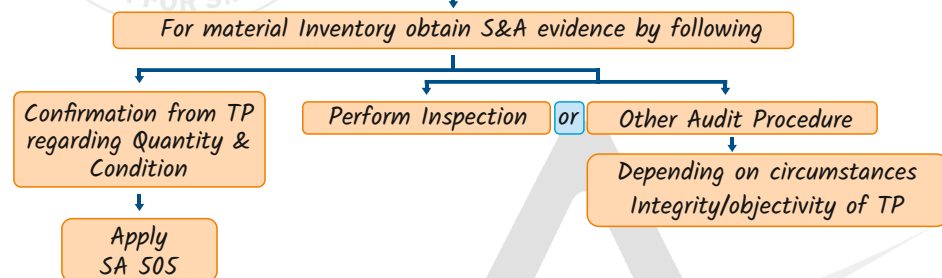
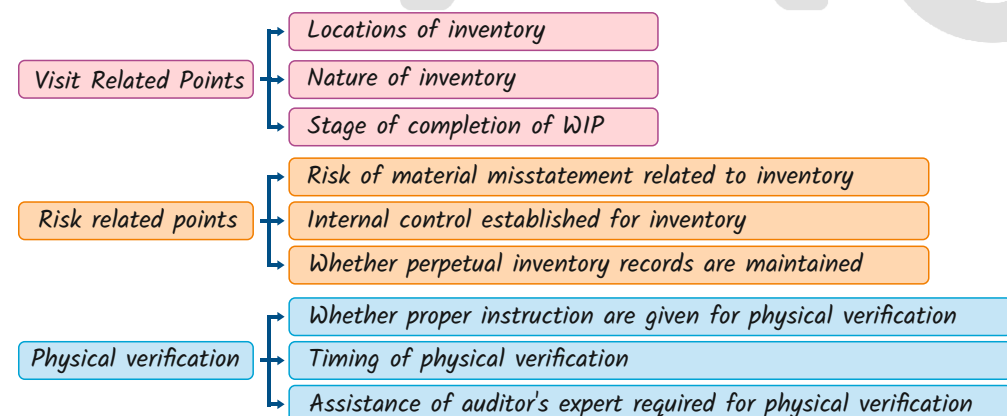


Doubts



Telegram

RELEVANCE OF AUDIT EVIDENCE**USING THE WORK OF MGT EXPERT****INFORMATION TO BE USED AS AUDIT EVIDENCE****INCONSISTENCY OR DOUBT OVER RELIABILITY OF AUDIT EVIDENCE****SELECTING ITEMS FOR AE****Part 4 - SA 501****OBJECTIVE AS PER SA 501****Part 1 :- Existence & Condition of Inventory****SPECIAL CASE 1 : COUNTING IS CONDUCTED AT DATE OTHER THAN YEAR END**

SPECIAL CASE 2 : COUNTING IS IMPRACTICABLE**SPECIAL CASE 3 :- CUSTODY CONTROL OF A THIRD PARTY****MATTERS RELEVANT IN PLANNING ATTENDANCE AT PHYSICAL INVENTORY COUNTING****PART 2 - LITIGATION OR CLAIMS (LOC)**

(SA 501 objective talks about completeness & then as per detailed procedures it covers all assertions)

Step 1:-

Design & perform audit procedure to identify RMM in litigation or claims (LOC) following are some procedures

- Inquiry of mgt inhouse legal counsel & others within entity
- Reviewing minutes of TCWG (Audit committee)/BOD
- Correspondance between entity & external legal counsel
- Reviewing legal expense accounts

Step 2 :-

What if RMM is identified?

If RMM is identified in litigation or claim (LOC) or risk that other LOC exist (List incomplete)

Auditor should seek direct communication with entity's external legal counsel

Use letter of inquiry, designed by auditor, prepared by mgt& sent by auditor, response will be directly sent to auditors

If prohibited by law then auditor shall perform alternative audit procedure

Meeting: In certain cases because of Complexity/Significant Risk/Disagreement between external legal counsel & mgt then-meet external legal counsel, needs mgt permission & held in presence of mgt representative

Steps 3:-

Ask for written representation

All known actual or possible LOC relevant for FST

- Disclosed to Auditor
- Accounted
- Disclosed properly in FST

PART 3 : SEGMENT INFORMATION

S&A evidence regarding presentation & disclosure as per applicable FRF

Understand methods used in determining segment information

Perform analytical procedures or other audit procedures.

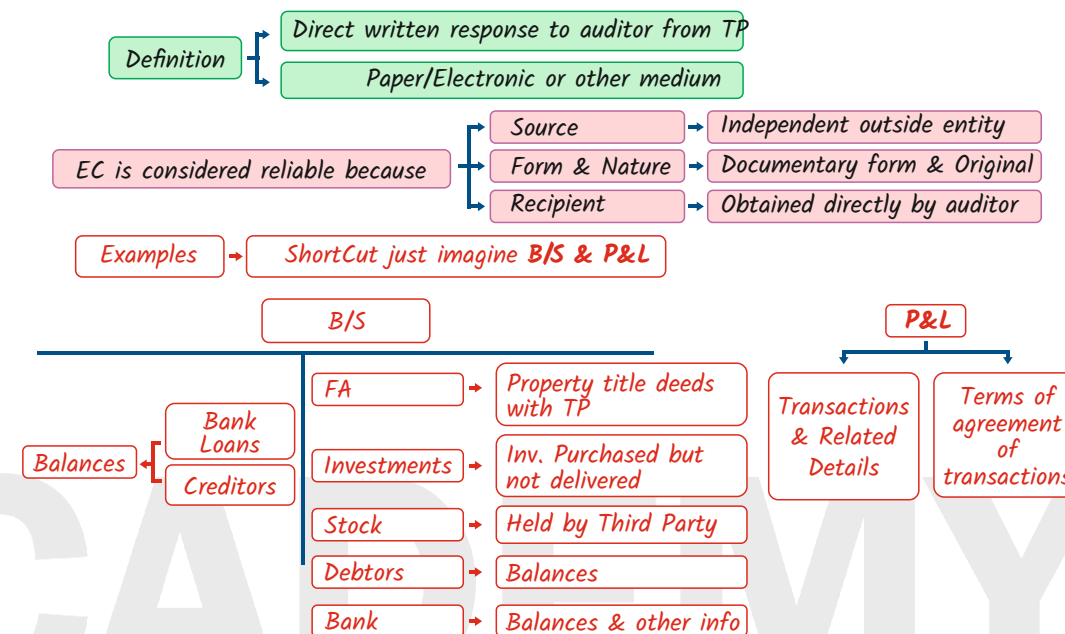
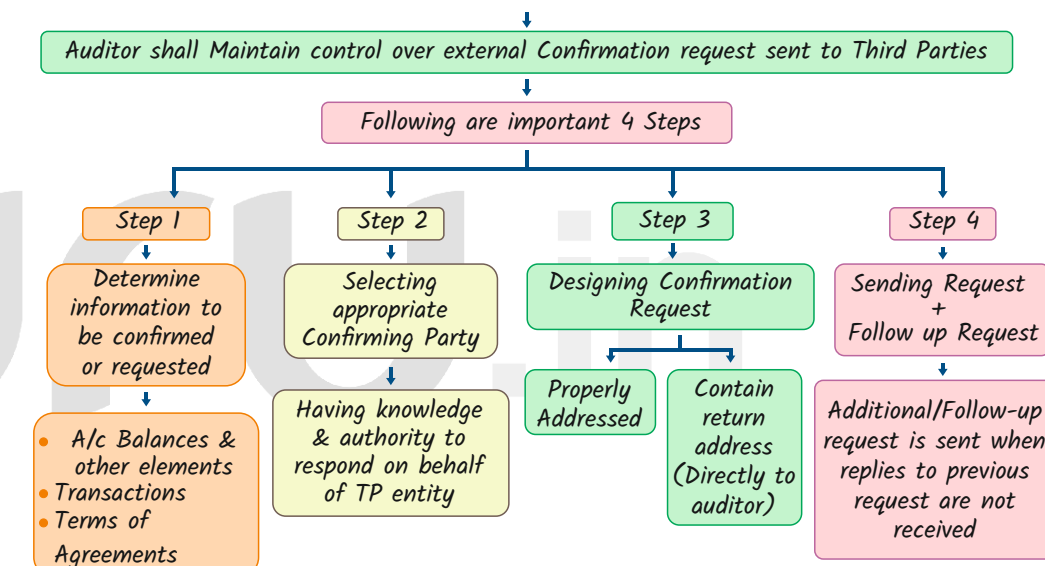
Evaluate Methods as per AS & Ind AS

Test application of such methods

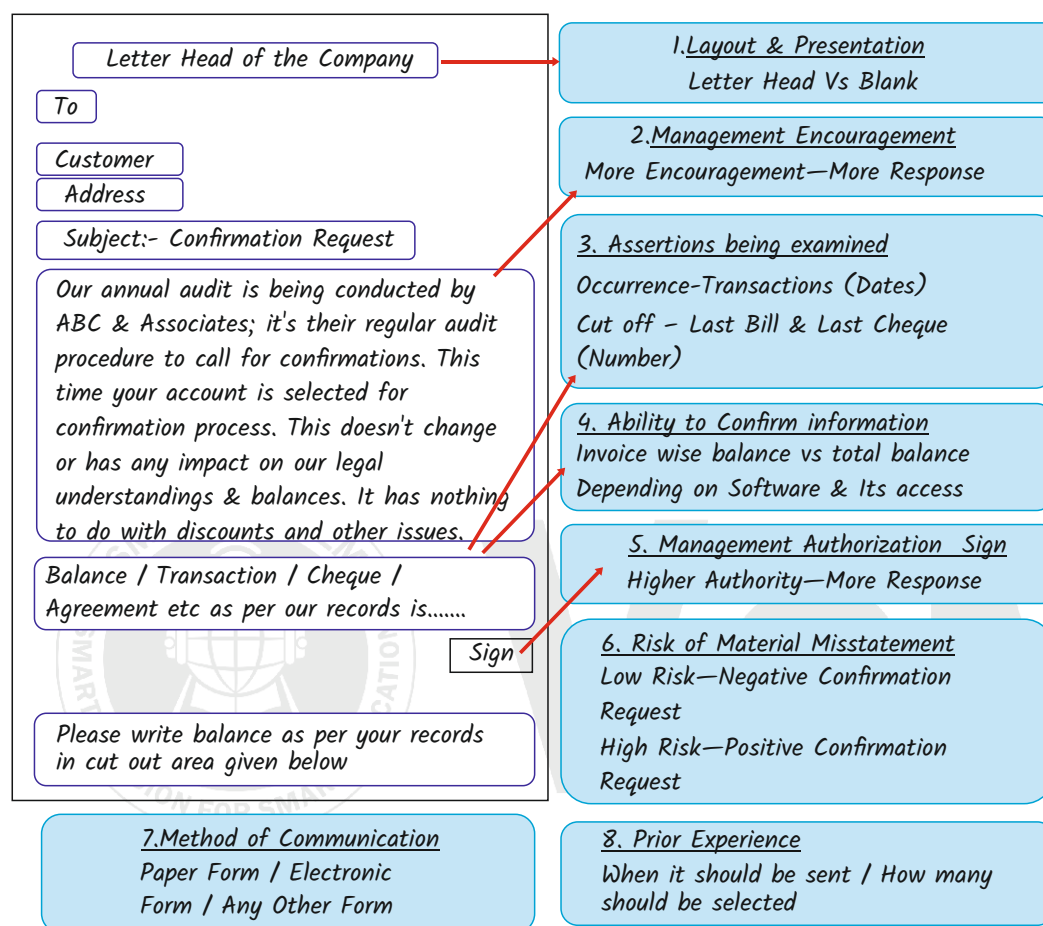
UNDERSTANDING METHODS USED BY MANAGEMENT

(Further explanation)

- Consistency with prior periods & adequacy of disclosures with respect to inconsistency
- Sales, transfer & charges between segments & elimination of inter segments accounts
- Allocation of common assets & cost among segments
- Comparison with budget & other expected results such as net profit margin

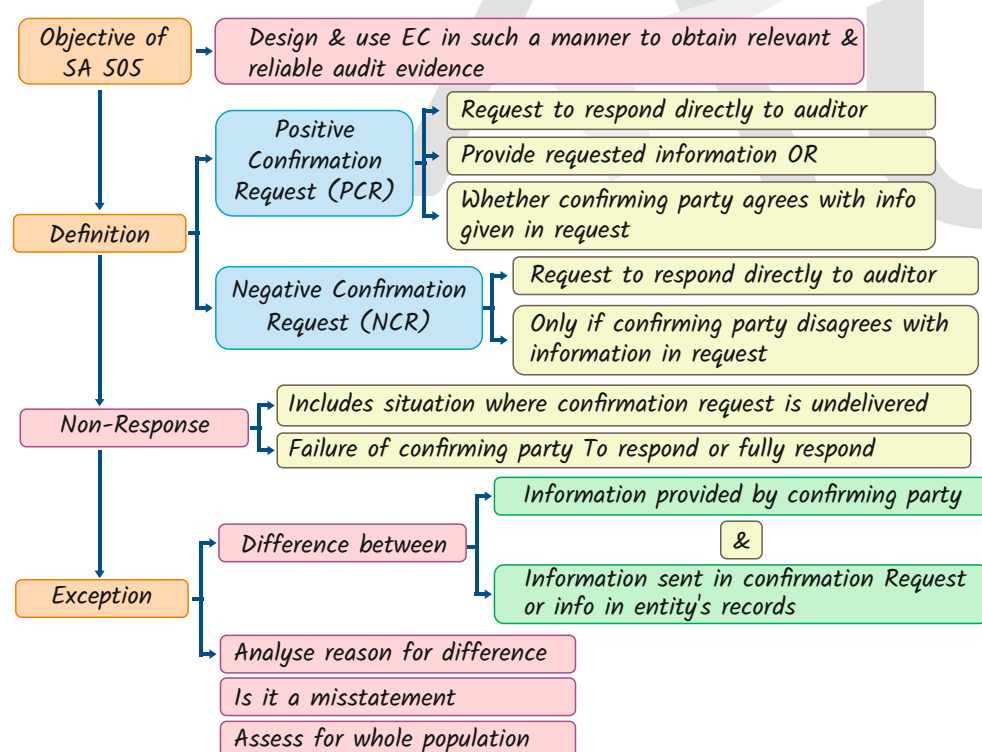
EXTERNAL CONFIRMATION (EC)**EXTERNAL CONFIRMATION PROCEDURES**

FACTORS TO CONSIDER WHEN DESIGNING CONFIRMATION REQUESTS INCLUDE:



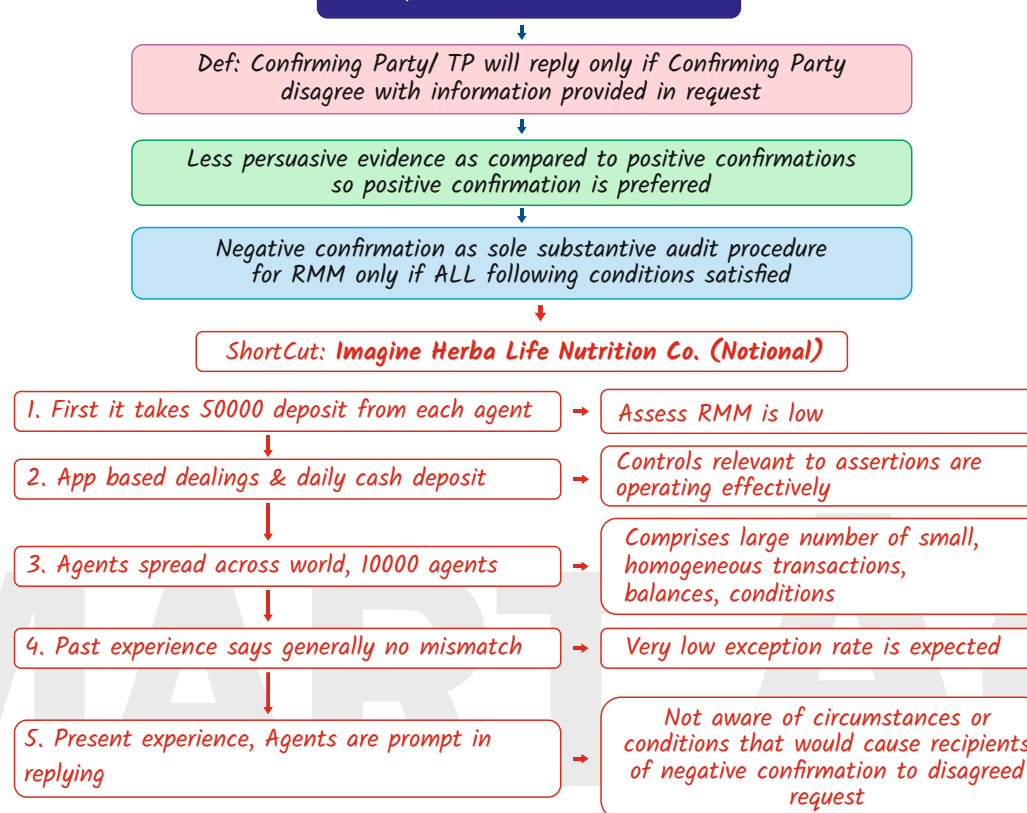
(CNO-SAS05.050) (MCQ-Incs.03.5)

OBJECTIVE & DEFINITION



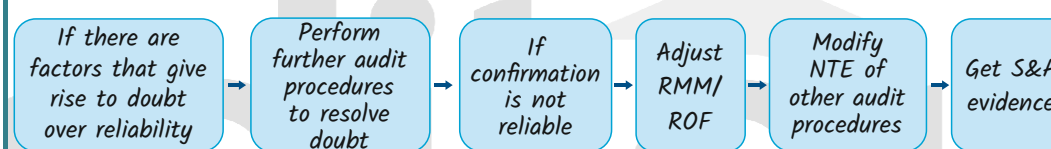
(CNO-SAS05.080) (QNO-S05.08) (MCQ-S05.5, S05.3, Incs.24.3)

NEGATIVE CONFIRMATION



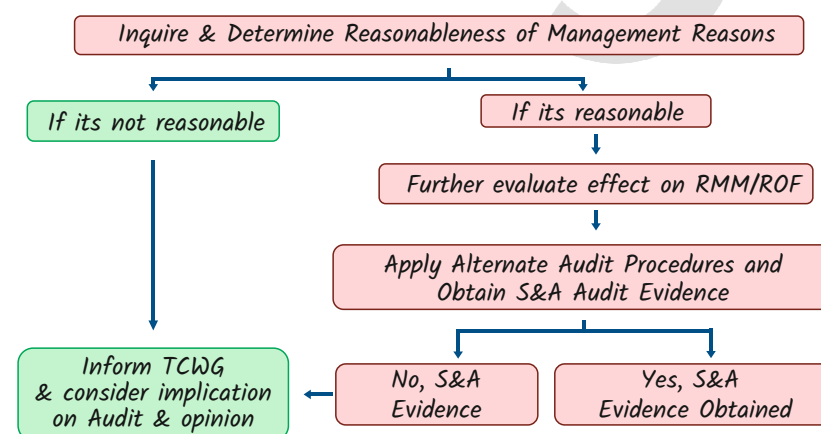
(CNO-SAS05.100)

DOUBTS OVER RELIABILITY OF RESPONSES TO EC



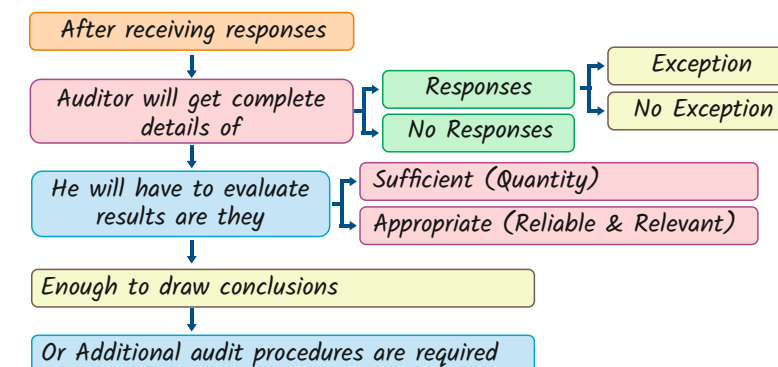
(CNO-SAS05.120) (QNO-S05.11) (MCQ-Incs.03.3)

MGT'S REFUSAL TO ALLOW AUDITOR TO SEND CONFIRMATION REQUEST



(CNO-SAS05.130)

EVALUATING EVIDENCE OBTAINED

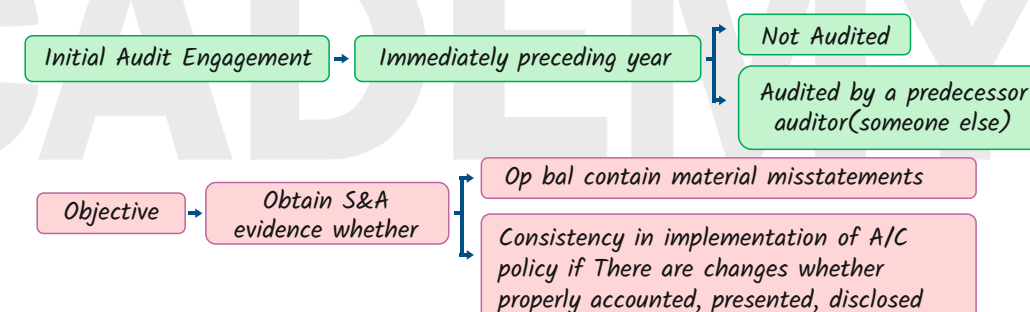


Part 6 – SA 510

(CNO--SAS10.020)

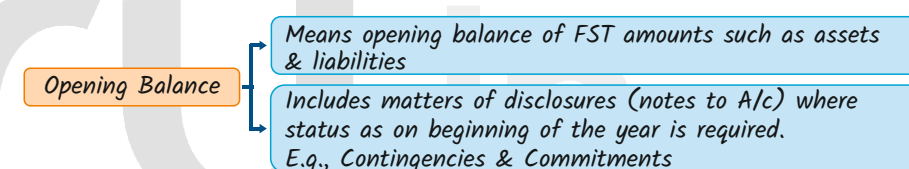
(QNO-S10.01/S10.03)

APPLICABILITY: APPLICABLE TO INITIAL AUDIT ENGAGEMENTS



(CNO--SAS10.040)

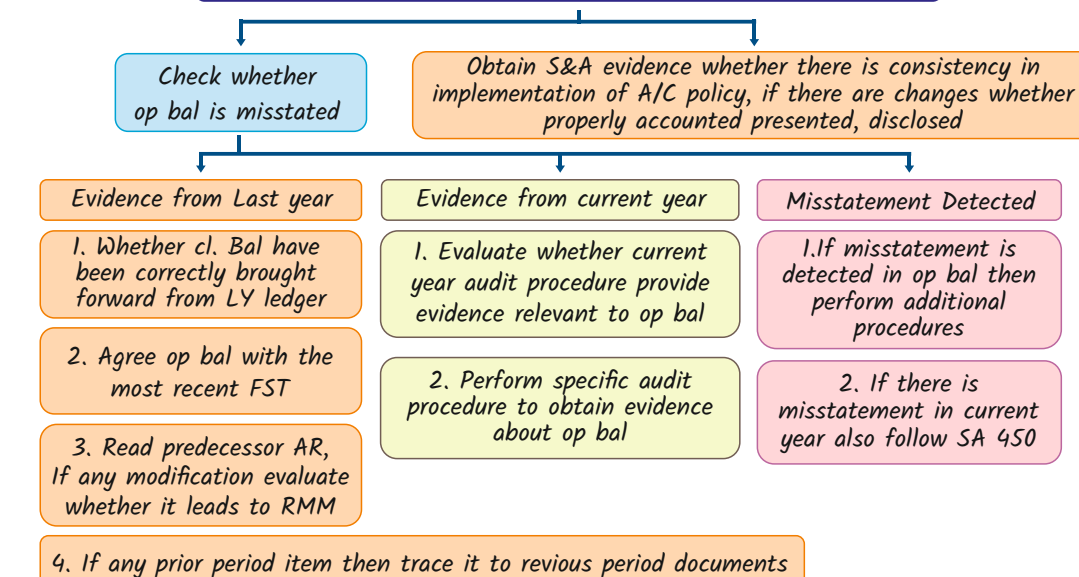
INCLUSION IN OPENING BALANCES

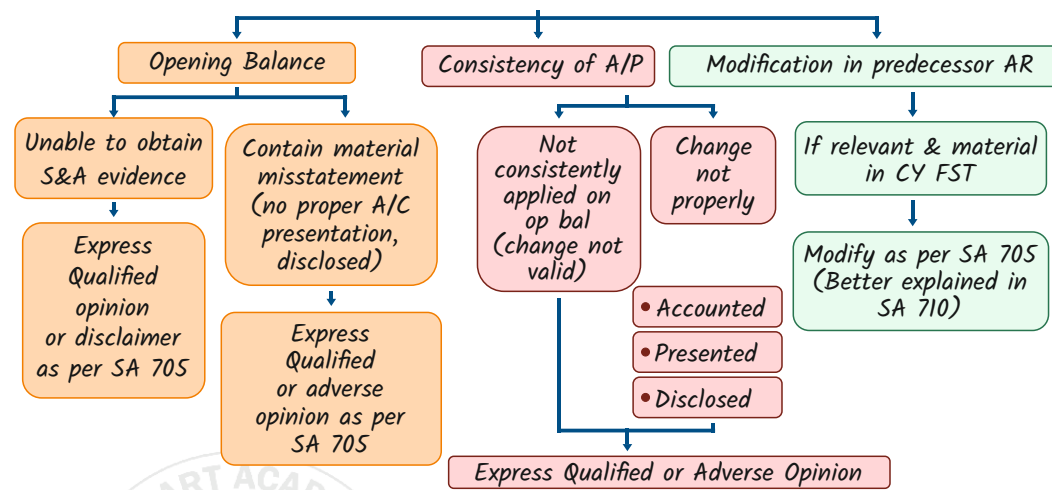


(CNO--SAS10.060)

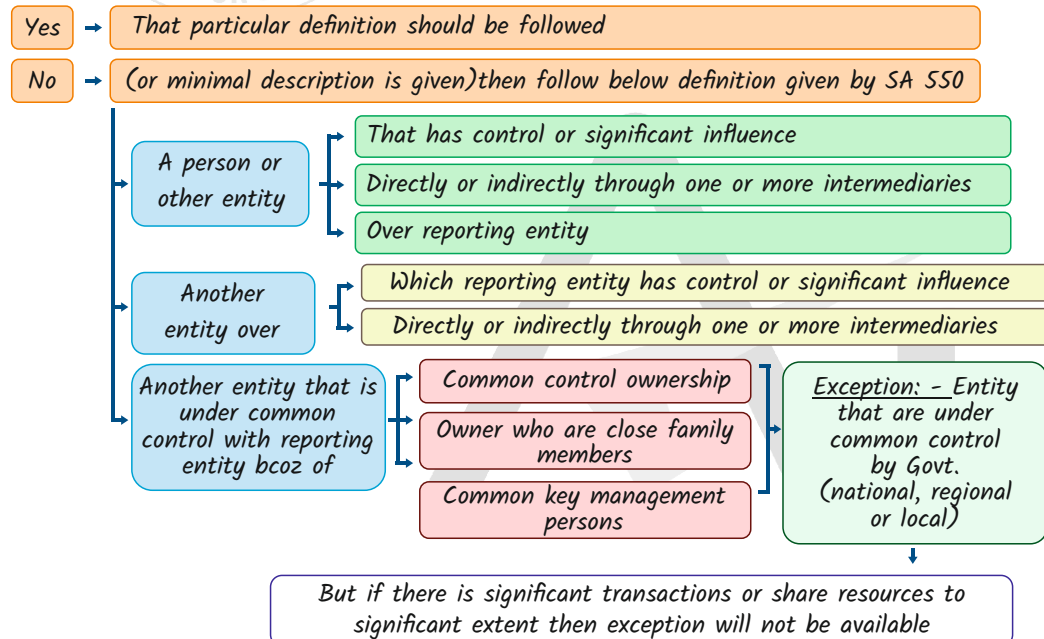
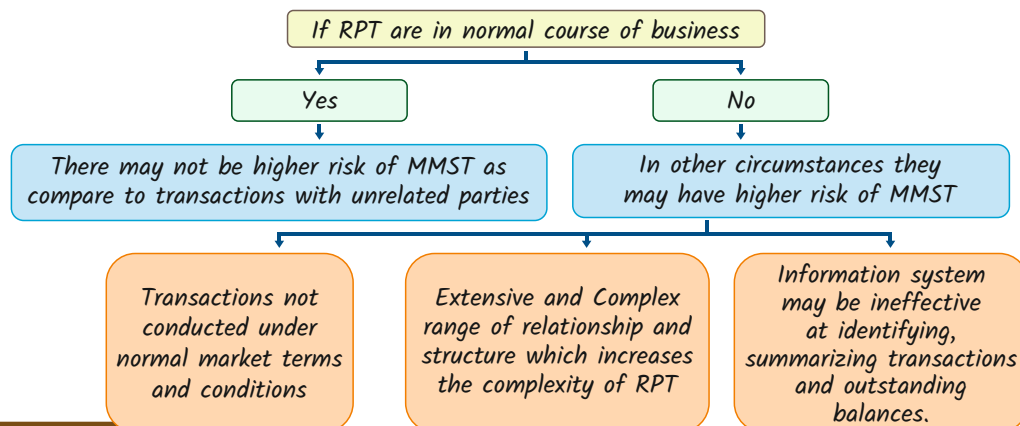
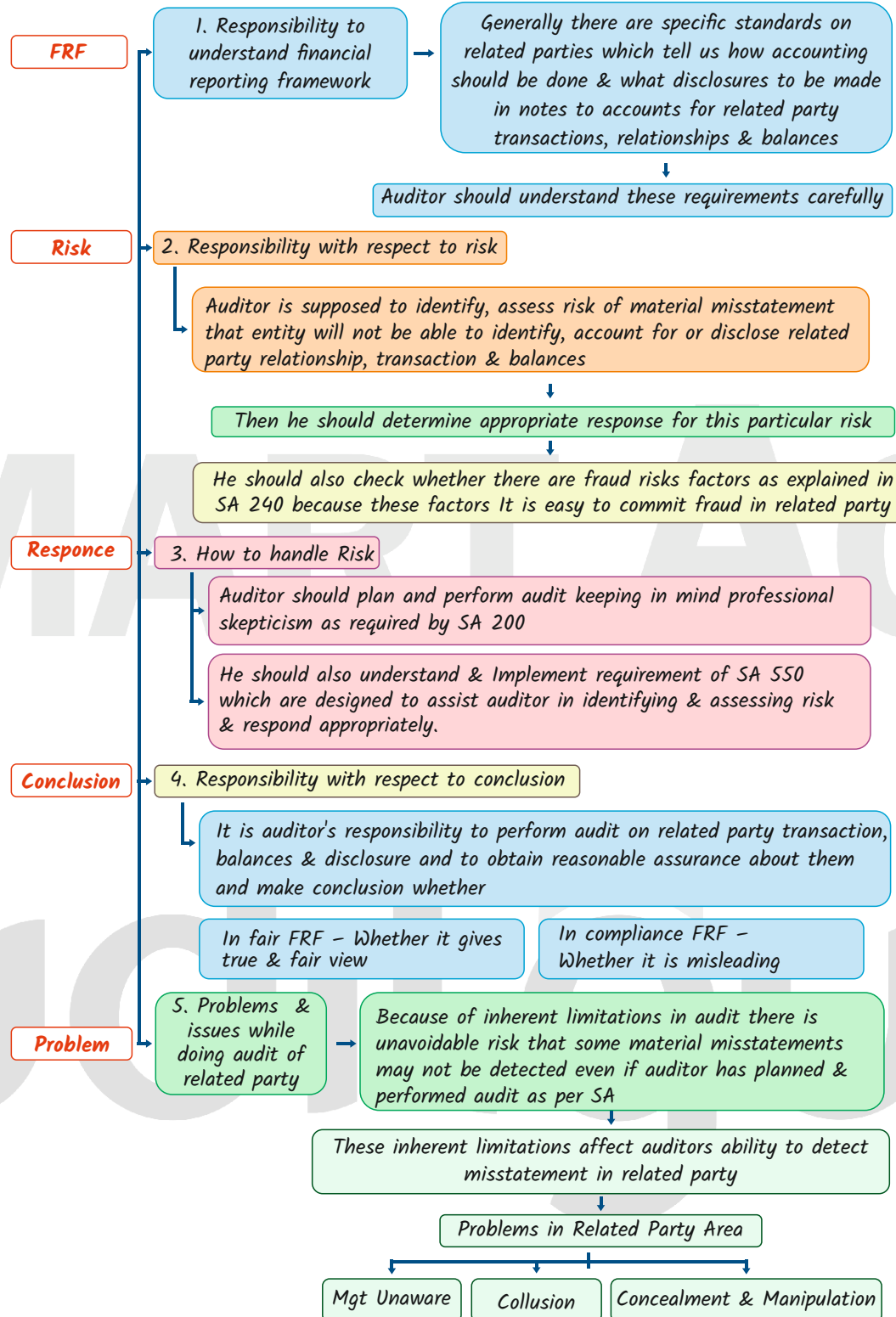
(QNO-S10.03)

AUDIT PROCEDURE TO EXAMINE OPENING BALANCES

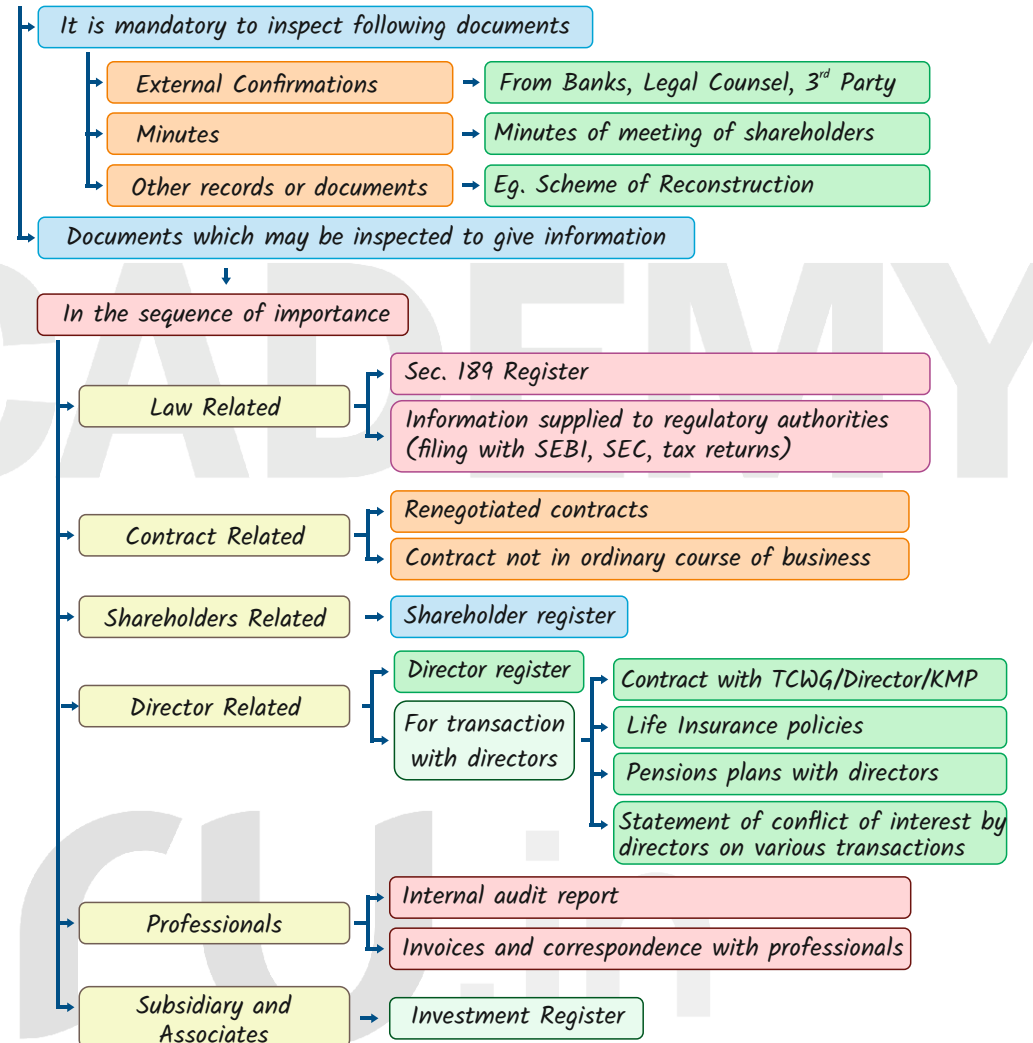


AUDIT CONCLUSION & REPORTING**Part 7 – SA 550****DEFINITION OF RELATED PARTY**

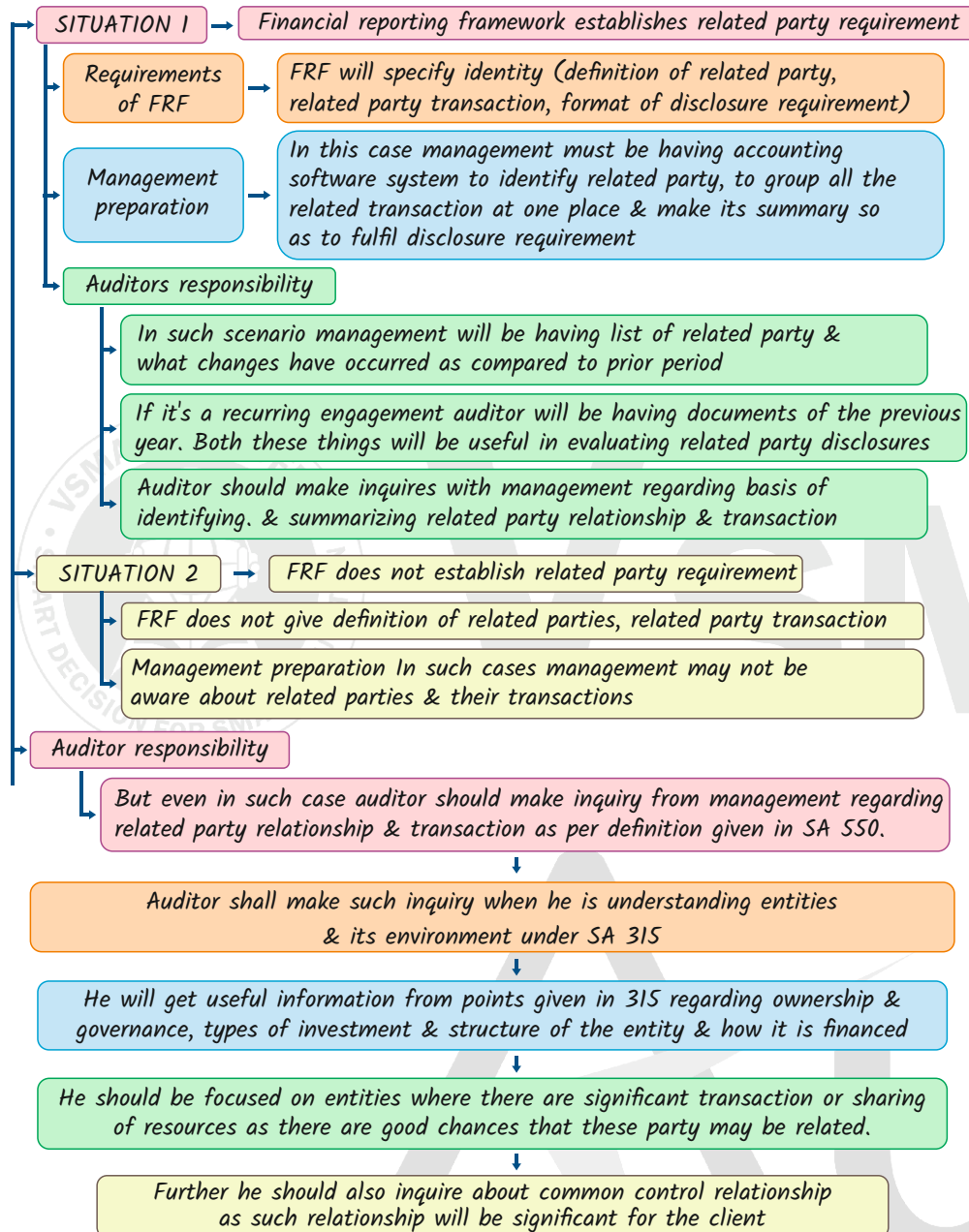
Whether related party is elaborately defined in FRF

**NATURE OF RELATED PARTY RELATIONSHIPS AND TRANSACTIONS****RESPONSIBILITIES OF THE AUDITOR****MAINTAINING ALERTNESS FOR RELATED PARTY INFORMATION WHEN REVIEWING RECORDS OR DOCUMENTS (FOLLOWING DOCUMENTS OR RECORDS ARE GOOD SOURCE OF INFORMATION)**

Auditor should remain alert while inspecting records or documents given below as they may give information about related parties relationship and transactions which were not told by management previously.



THE IDENTITY OF RELATED PARTIES ENTITIES

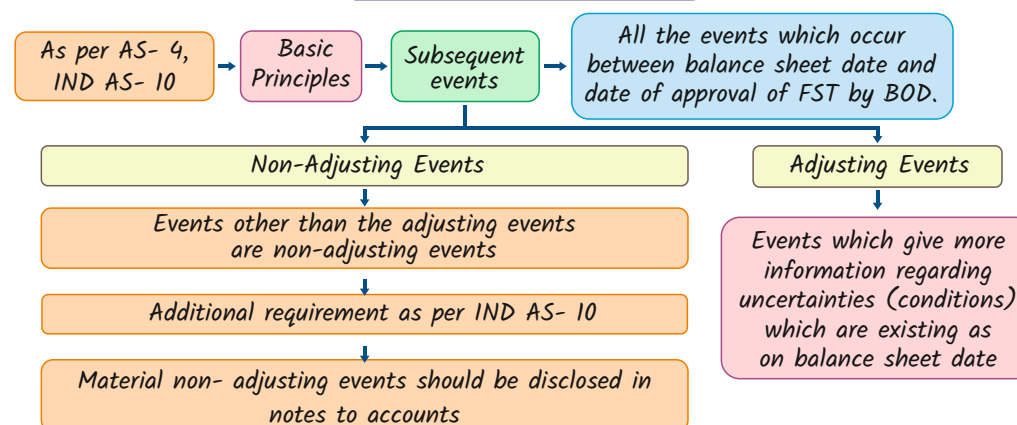


Part 8 – SA 560

(CNO--SAS60.020)

(QNO-S60.02)

SUBSEQUENT EVENTS

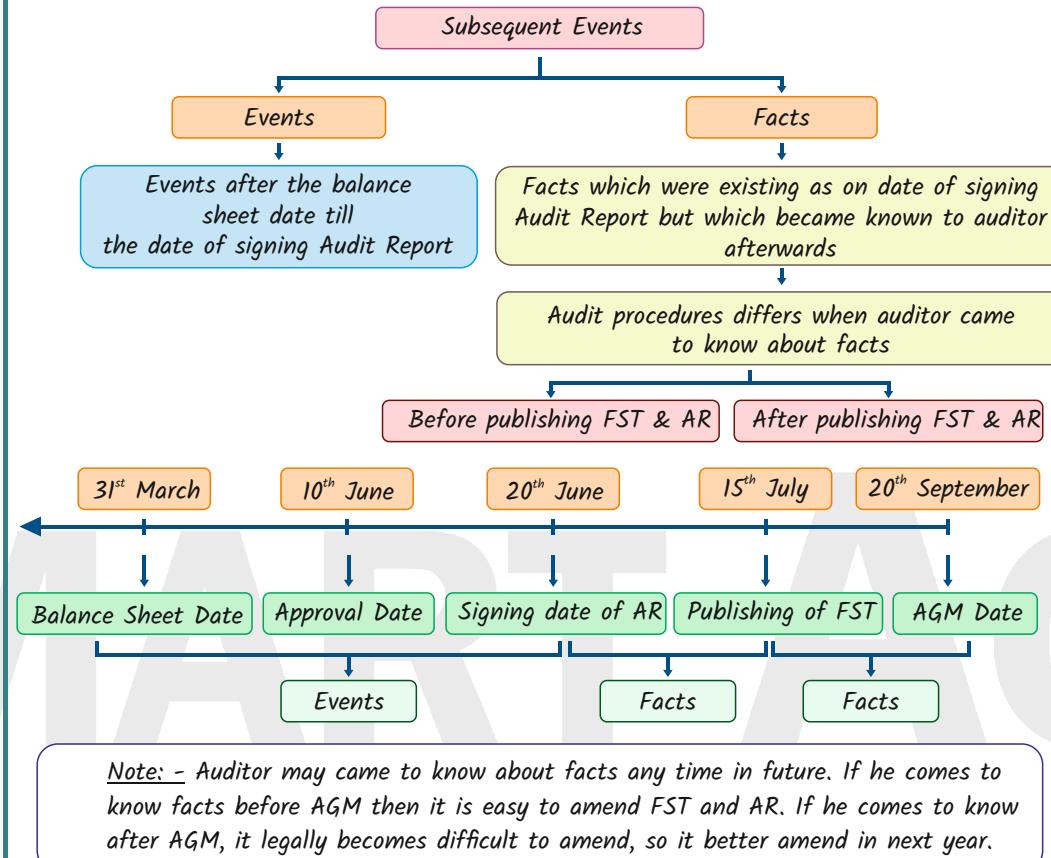


Note:- As per SA 700 users of FST generally assume that auditor has considered events & transactions, which he was aware till date of Auditor Report

(CNO--SAS60.040)

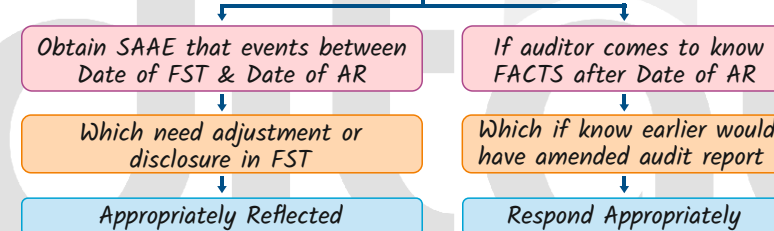
(QNO-S60.01)

DEFINITION OF SUBSEQUENT EVENTS



(CNO--SAS60.050)

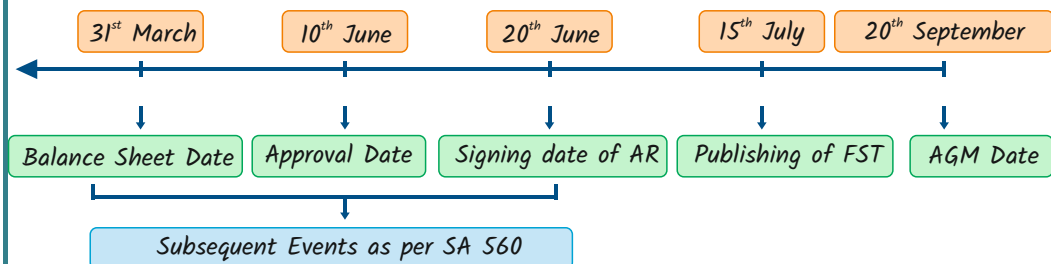
OBJECTIVE AS PER SA 560



(CNO--SAS60.060)

(QNO-S60.03)(MCQ-Incs.52.5)

EVENTS OCCURRING BETWEEN THE DATE OF FST AND THE DATE OF AUDITOR'S REPORT



Continue on next column...

(1) Duty of Auditor

Even after year end auditor is suppose to perform audit procedures and collects SAAE that management has identified events which needs adjustments and things which needs disclosures and gave them proper accounting treatment as per FRF.

*If Auditor has checked SE of some areas like debtor, creditor etc., then no need to check them again.

(2) Audit Procedures

- Understand management procedures to identify subsequent events
- Inquiring management and TCWG whether any subsequent event has occurred
- Read minutes of meetings or were minutes are not available inquire about the matters discussed in such meetings (Eg: - Information about proposed dividend, bonus issue etc.)
- Read entity latest subsequent interim financial statements

(3) Treatment of Adjusting Events

- If Auditor identifies events require adjustment or disclosure
- Auditor should ensure that such events are properly reflected in FST as per AFRF

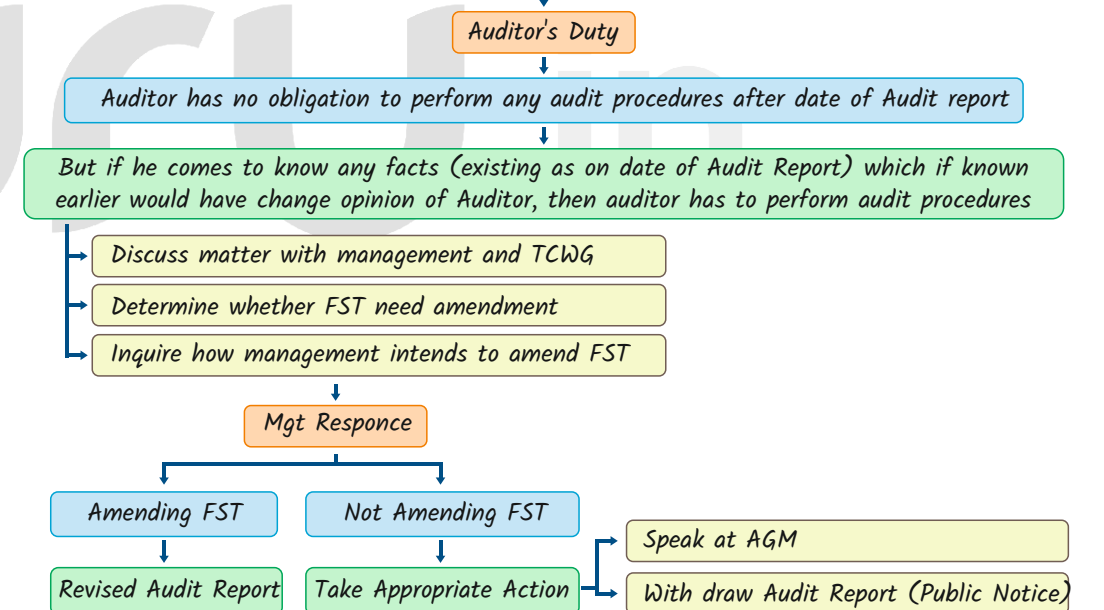
(4) Written Representation

Written representation from management or TCWG, assuring that all the events occurring after the date of FST are properly analysed and accounted for as per AFRF.

(CNO--SAS60.080)

(QNO-S60.06)(MCQ-S60.1)

FACTS WHICH BECAME KNOWN TO THE AUDITOR AFTER THE DATE OF AUDITOR'S REPORT BUT BEFORE THE DATE OF FST ARE ISSUED



(CNO--SAS60.100)

FACTS WHICH BECOME KNOWN TO THE AUDITOR AFTER THE FST HAVE BEEN ISSUED

All the steps / points in these area are similar to previous concept, there are few notable change given below

If management decides to amend FST and Auditor gives new Audit Report

Management should inform everyone who receive old FST and AR not to rely on it and wait for new set

If management does not take appropriate step to inform people receiving old FST to discard it, Auditor should inform TCWG

In new AR, Auditor should put EMP / OMP, explaining revision of FST and Referring to para in notes to accounts, which explain detail reason for revision

If TCWG does not take necessary steps, Auditor should take steps to prevent reliance on old AR. (public notice or speak at AGM)

Part 9 – SA 570

(CNO--SAS70.010)

GOING CONCERN BASIS OF ACCOUNTING

Fundamental A/c Assumption

We assume that entity will continue operations for foreseeable future (which is generally 12 months)

General Purpose FST (prepared for wide range of users)

Prepared as per going concern assumption unless

Mgt. intends to liquidate

Not having realistic alternative but to liquidate

If GC Appropriate

Valuation will be done in such a manner that assets will be realised & liabilities will be discharged in normal course of business. So historical cost concept & depreciation are followed.

If GC is not appropriate

Assets will be valued at realisable value & liabilities will be valued at payable value

(CNO--SAS70.020)

(QNO-570.01)

OBJECTIVES AS PER SA 570

Obtain SAAE regarding Mgt's assumption with respect to Going Concern

If there exists events & condition creating significant doubt over going concern then make conclusion whether material uncertainty exists & whether GC assumption is appropriate.

After making conclusions, consider implications on audit report

(CNO--SAS70.030)

(QNO-570.02)

RESPONSIBILITIES OF AUDITOR

Same as objectives as discussed earlier. So just reproduce same.

SA 200

Explains inherent limitations of audit

These inherent limitations makes it difficult to deal with EC-SD over GC

So, users of audit report should be careful

Even if there is no reference about material uncertainty in Audit Report, it doesn't mean there is guarantee regarding GC.

(CNO--SAS70.040)

(QNO-570.15)

STEP 1**RAP FOR GOING CONCERN**

Combine with SA 315

SA 315 asks auditor to perform RAP over entity, SA 570 says while doing this consider whether events or conditions exist that may cause significant doubt (EC-SD) over GC

Mgt's Assessment

Ask Mgt. whether they have prepared preliminary assessment of entity's GC

If Yes

Obtain it

Discuss with Mgt.

Whether EC-SD over GC exist

If yes how Mgt. plans to address them

If No

Why it was not prepared?

How they ensured there are no issues with GC? (Basis of GC Assumption)

Inquire with Mgt. whether EC-SD over GC exist

Remain Alert

Throughout the audit for evidence of EC-SD over GC

SA 315 asks auditor's to be flexible & revise risk assessment, FAP when additional info affecting assessment is obtained

(CNO--SAS70.060)

(QNO-570.03) (MCQ- 570.2, 570.3)

STEP 1A**EVENTS OR CONDITION MAY CAST SIGNIFICANT DOUBT OVER GOING CONCERN**

Few examples of events or condition that individually or collectively may cast significant doubt about the going concern assumption

Financial

In sequence of falling business

Substantial operating losses or deterioration in value of assets used to generate cash flow

Negative operating cash flow

Arrears or discontinuance of dividends

Negative liability or net current liability position

Adverse key financial ratios

Borrowings related points

Inability to comply terms of loan & agreements

Fixed term borrowing approaching maturity without realistic prospects of renewal or repayment

Excessive reliance on STB Short term borrowing to finance long term assets

Inability to obtain financing for essential new product development or other essential investments

Creditors related points

Inability to pay creditors on due dates

Indications of withdrawal of financial support by creditors

Changing terms from credit to cash

Continue on next column...

Operating

Management

Management intends to liquidate the entity or cease operations

Loss of key management without replacement

Employee

Labour difficulties

Raw Material

Shortage of important supplies, loss of principal supplier's

Production

Serious breakdown

Sales

Loss of major market, key customers, franchise, license or

Emergence of highly successful competitor

Others

Catastrophes

Uninsured or under insured catastrophes when they occur

Law related

Non-compliance with capital or other statutory requirements

Adverse change in law or govt policy or regulation

Pending legal or regulatory proceedings against the entity that may if successful result in claims that entity is unlikely to be able to satisfy

(CNO--SAS70.080)

(QNO-570.07)

STEP:- 2 ADDITIONAL AUDIT PROCEDURES WHEN EVENTS OR CONDITIONS ARE IDENTIFIED

If events or conditions identified that may cast significant doubt on entity's ability to continue as going concern, Auditor shall obtain SAAE to determine whether or not a material uncertainty exists through performing additional audit procedures including consideration of mitigating factors

Compulsory Audit Procedures

Management's assessment

Management's assessment if not prepared yet then requesting management to make it assessment

Management's plans

Evaluating management's plans for future actions in relation to going concern assessment, whether outcome of such plan is likely to improve the situation

Adequate

Feasible

Cash flow forecast

Where entity has prepared the CF forecast, analysis of forecast is a significant factor in considering the future outcome of events or conditions in evaluating management plans for future actions

Evaluate reliability of underlying data generated

Determine whether adequate support for assumption underlying the forecast

Additional information

Consider whether any additional facts or information have become available since the date on which management made its assessment

WR

Request WR from management & TCWG regarding plan for future actions & its feasibility

Continue on next Page...



Optional, if required

Management & third party plan (in sequence of power)

Inquiring of entity's legal counsel regarding existence of litigation & claims and reasonableness of management assessments of outcome and the estimate of their financial implications

Obtain & review reports of regulatory actions

Reading minutes of share holders & TCWG

Determine adequacy of support for any planned disposals of assets

Reading terms of debentures and loan agreement & determine whether any have been breached

Evaluate entity's plans to deal with unfilled customer orders

Cash flow, Forecast & Interim FST

Analyzing & discussing CF, profit and other relevant forecasts with management

Analyzing & discussing latest interim FST

Subsequent Event

Perform audit procedures regarding SE to identify those that either mitigate or otherwise affect the entity ability to continue as going concern

W.R. from 3rd parties

Confirming the existence, legality and enforceability of arrangement with related and 3rd parties and assessing the financial ability of such parties to provide additional funds

Confirming the existence terms and adequacy of borrowing facilities

(CNO--SAS70.090)

QNO-570.10

STEP 3 IMPLICATION ON AUDIT REPORT

After concluding about Material Uncertainty & its treatment, auditor should evaluate about going concern and its implications on audit report

Going Concern Appropriate but whether material uncertainty exists?

If MU doesn't exist
Express Unmodified Opinion

If MU exists and disclosure is adequate

Going Concern inappropriate

But management still use going concern assumption as base then auditor shall give ADVERSE opinion

If GC assumption is inappropriate

Mgt. may shift to another basis of Accounting (E.g., Liquidation Basis)

Auditor has to determine whether another basis is acceptable

If yes examine whether it is properly implemented & adequately disclosed in notes to accounts

If yes auditor can give unmodified opinion

He may include Emphasis of Matter Para to highlight alternative basis used

Going Concern in Doubtful and Management is not willing to extend its Assessment

Auditor may qualify or give disclaimer as appropriate.

(CNO--SAS70.100)

MATERIAL UNCERTAINTY & KEY AUDIT MATTER

If KAM reporting is applicable under SA 701

And MU over GC is identified

SA 701 says MU by its nature is KAM as its examination needs significant auditor's attention

So KAM will have a reference that GC matters is a KAM & also mention section in which more details can be read

Part 10 - SA 580

(CNO--SAS80.020)

(QNO-580.01/580.09,580.05,580.07)(MCQ-580.1,580.2

Incs.63.4,Incs.46.1,Incs.24.1)

WRITTEN REPRESENTATIONS

Definition

Includes

Written statement by the management

To confirm certain matters (matter's which promised under engagement letter under SA 210)

To support other audit evidences (like SA 560, 570 etc.)

Excludes

Financial statements, assertions therein or supporting books or records (because we want evidence to prove FST, hence these documents cannot be called as 'WR')

Advantages

As Auditor request the WR management consider the matter more rigorously and thereby enhancing the quality of information

Types

Compulsory

Written Representation about management responsibilities

Other Written Representations

Not a substitute

It is necessary but it is not sufficient and appropriate on its own

It cannot substitute other audit procedures and evidences

(CNO--SAS80.040)

TYPES OF WRITTEN REPRESENTATION

Written Representation about management responsibility

For preparation of financial statements

Auditor will request management to provide WR that they have fulfilled their responsibility of preparing financial statements in accordance with financial reporting framework & if there is a fair presentation framework then also - financial statement give true & fair view as pv

For information provided for completeness of transaction

Management has provide auditor with all relevant information & given access to all records & people as agreed in terms of engagement

All transaction have been recorded & reflected in FST

Description of management responsibility in written representation

Management responsibility shall be described in written representation in same manner in which these responsibility are describe in terms of audit engagement (key paragraph about management responsibility will be same in WR & in terms of engagement)

(CNO--SAS80.050)

OTHER WRITTEN REPRESENTATION

Other Written Representation

Many SA's like SA 501, 540, 550, 560, 570 require auditor to obtain written representation from management

Apart from these SA auditor may decide to obtain WR to support other audit evidence for one or more specific assertion in FST.

(CNO--SAS80.060)

MANAGEMENT FROM WHOM WR IS REQUESTED

From whom WR is expected

WR is expected from people who were responsible to prepare FST & they have knowledge regarding this matter & Authority

These individual differ depending on the organization structure of the entity, governance, law & regulation

Generally it is expected from management. So it may come from CEO & CFO or people holding such positions or other equivalent persons who may not be having such titles.

In some circumstances TCWG may be responsible to prepare & present financial statements. So it may be expected from them

Why it is generally expected from management

Management is responsible for conducting entities business so it is expected that they have knowledge of the entity & its transaction & how financial data is processed & financial statements are prepared & presented

INQUIRY BY MANAGEMENT

In some case management themselves may not be having detailed knowledge of certain or specialized areas. So they may do inquiry from the people who have knowledge of this area & then make WR

For Ex- They may do inquiry from

(1) Actuary determining actuarial liabilities

(2) Staff engineers determining environmental liabilities

(3) Internal counsel determining provision for litigations

Continue on next Page...

QUALIFYING LANGUAGE BY MANGEMENT

In some cases management may use qualifying (conditional language) while making written representation, they may say that we are confirming matters to the best of our knowledge & belief

It is reasonable for auditor to accept such wordings, if auditor is satisfied that representation is made by people who has responsibility & knowledge about the given matters

(CNO--SAS80.080)

DATE AND PERIOD COVERED

Date

As near as practical to the date of Audit report but it should never be after Audit report

Period

It shall be for all FST and periods referred in Audit Report

(CNO--SAS80.100)

(QNO-S80.09)

REQUESTED WRITTEN REPRESENTATION NOT PROVIDED

Auditor shall follow the following steps

- Discuss with management
- Re-evaluate the integrity of management and evaluate whether can rely on other Written Representations or audit evidence in general
- Take appropriate actions, including determining the possible effect on opinion in Audit report as per SA 705.

(CNO--SAS80.120)

FORM OF WRITTEN REPRESENTATION

Letter

It is generally in the form of letter which is written by management & addressed to the auditor giving the all information

Public statement under law

If law requires client to make written public statements about some of the matters which were required under written representation. Then such matters need not be covered again in WR.

(CNO--SAS80.140)

DOUBT AS TO RELIABILITY OF WRITTEN REPRESENTATION

Concerns / Doubt

If Auditor has concerns

- Integrity, ethical values
- Competence
- Diligence of management or its commitment

Determine the effect

Reliability of representations (oral or written)(all information is given in oral or written form)

Audit evidence in general

Inconsistency with other Audit evidence

Auditor shall perform audit procedures to resolve the matter

If matters remain unresolved than auditor will have to repeat the 'concern/doubt' steps again

Continue on next column...

What if WR is still not reliable

Auditor shall take appropriate action including determine the possible effect on opinion.

(CNO--SAS80.160)

(QNO-S80.05)

OBJECTIVES OF AUDITOR

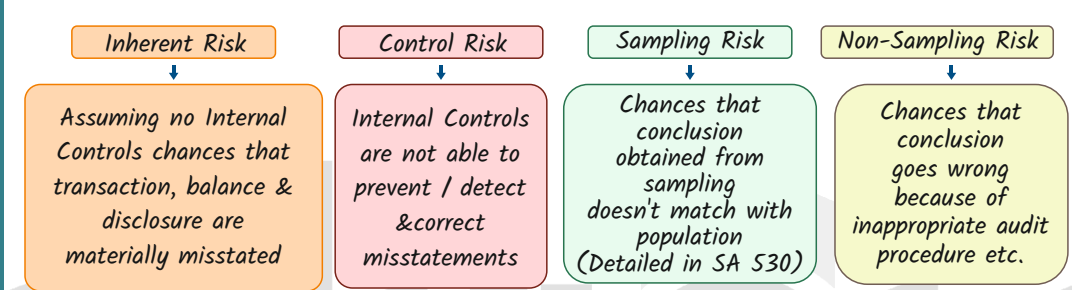
- Obtain WR for Mgt. Responsibility
 - Fulfilled its responsibility w.r.t. preparation of FST
 - Provided complete information to auditor
- Other WR
 - Obtain WR on specific assertions to support audit evidence already available
- Respond Appropriately
 - After WR is received
 - If WR is not received

04 RISK ASSESSMENT AND INTERNAL CONTROL

Part I - SA 315 (RISK)

(CNO-SA315-PI.020) (QNO-315.01, 315.05, 315.11,315.13) (MCQ 315.1, 315.2, 315.3, 315.4, 315.5, 315.10, 315.13, 315.18, 315.20, 315.26, Incs.18.3 Incs.10.1, Incs.10.2, Incs.23.2)

AUDIT RISK & ITS COMPONENTS



Risk of Material Misstatement (RMM) Combined Risk (Inherent X Control) Circumstances that transaction, balance & disclosure presented in financial statements are materially misstated.(Prior to Audit)

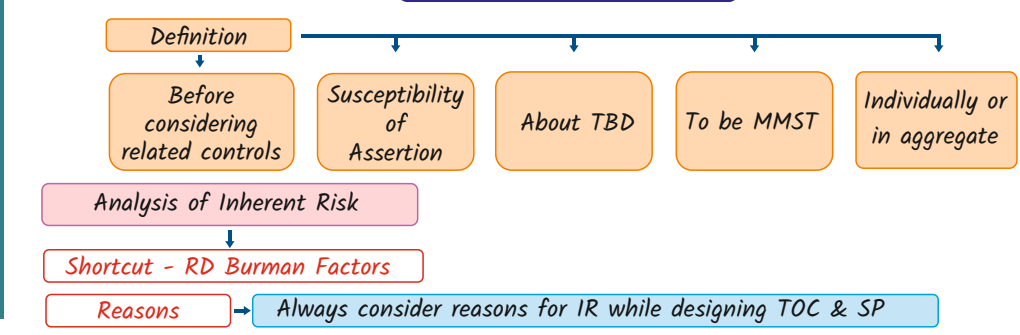
Detection Risk: Chances that material misstatements are not detected by auditor

Audit Risk

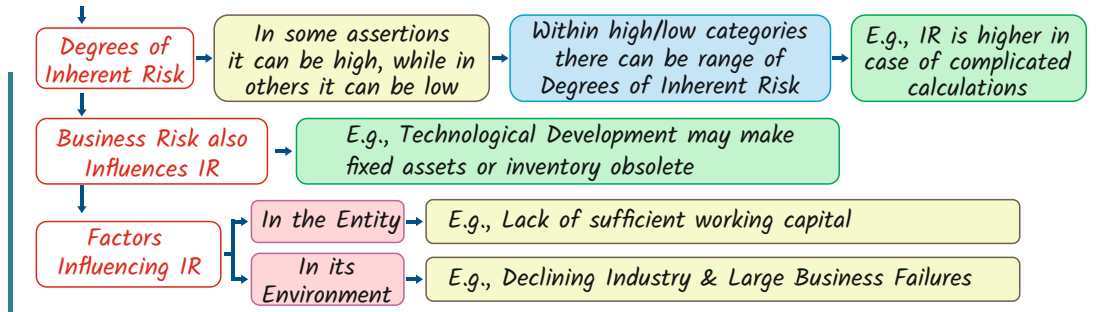
Chances that final opinion given by auditor is inappropriate. Unmodified opinion is given when modification was required

(CNO-SA315-PI.020)

INHERENT RISK (IR)

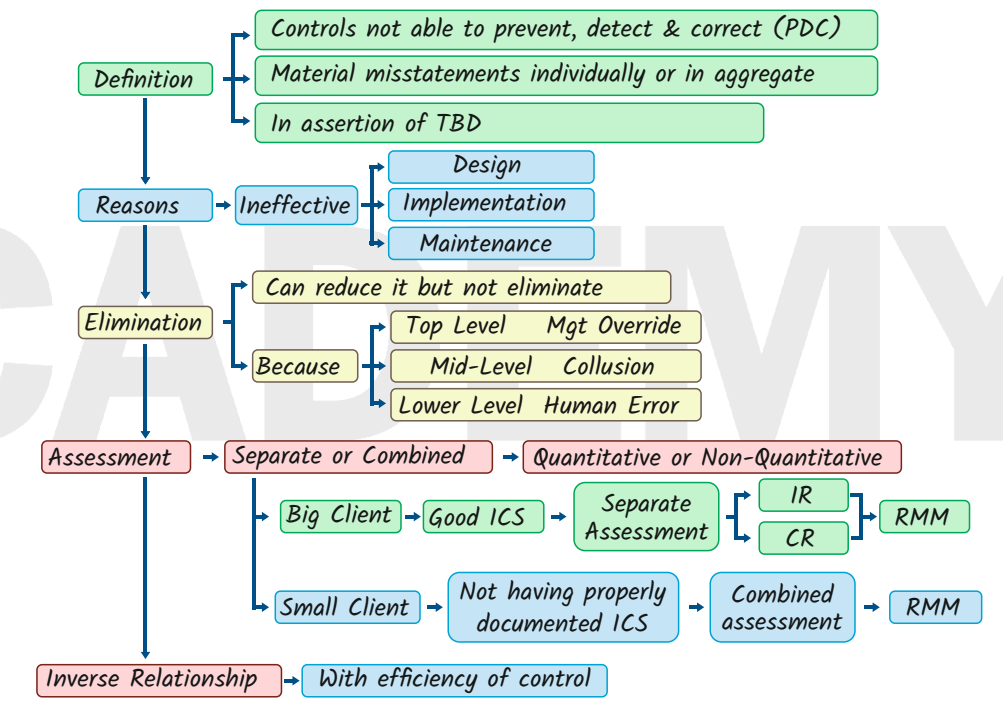


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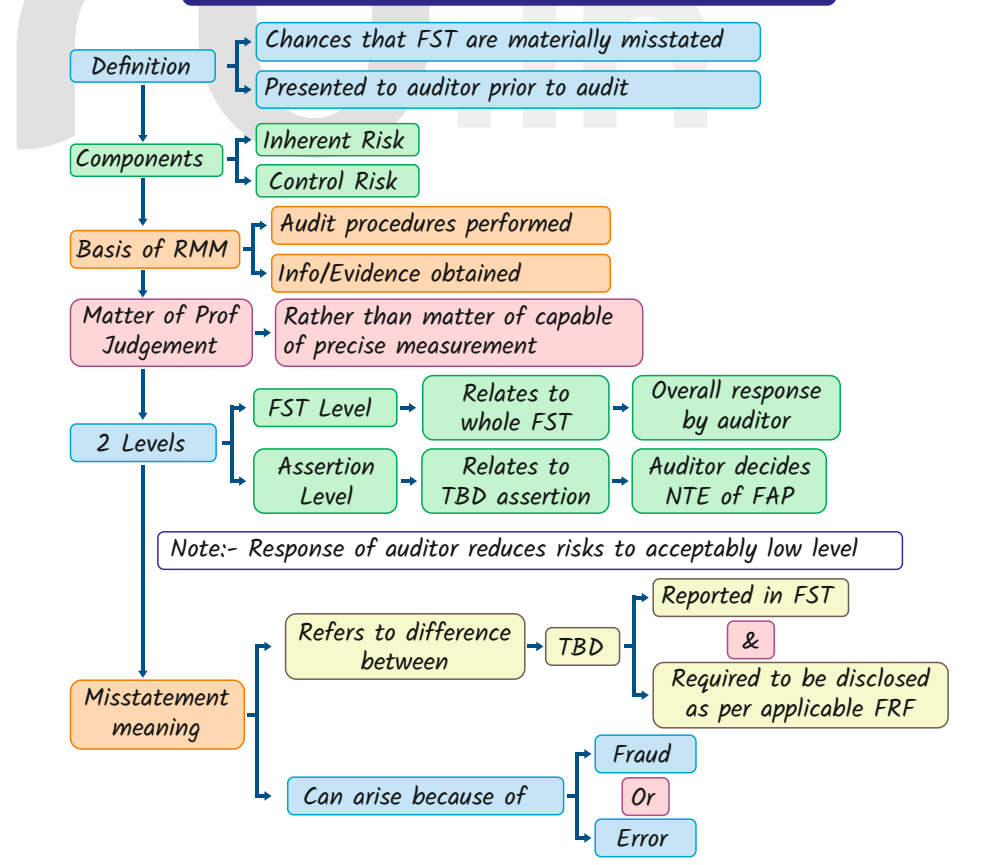
(CNO-SA315-PI.020)

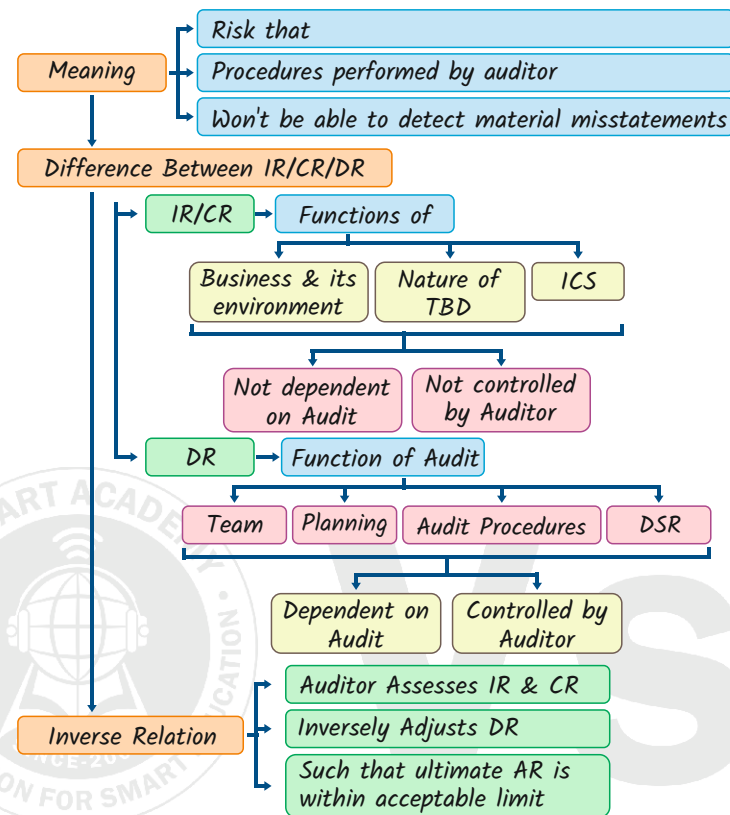
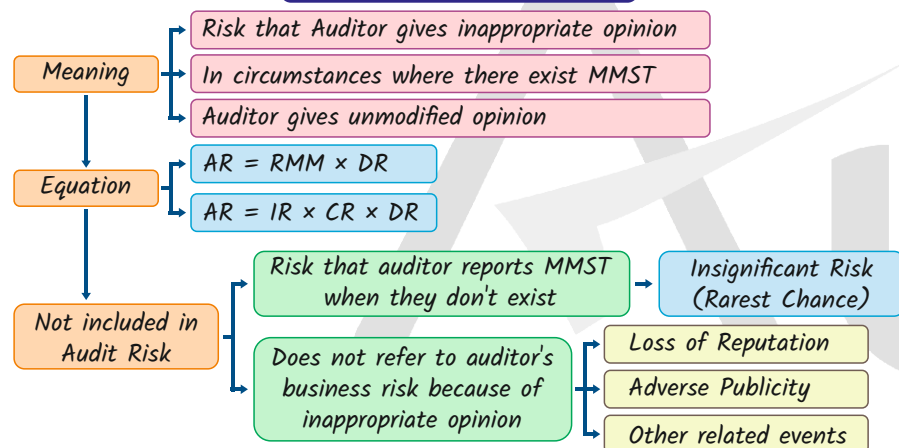
CONTROL RISK (CR)



(CNO-SA315-PI.020)

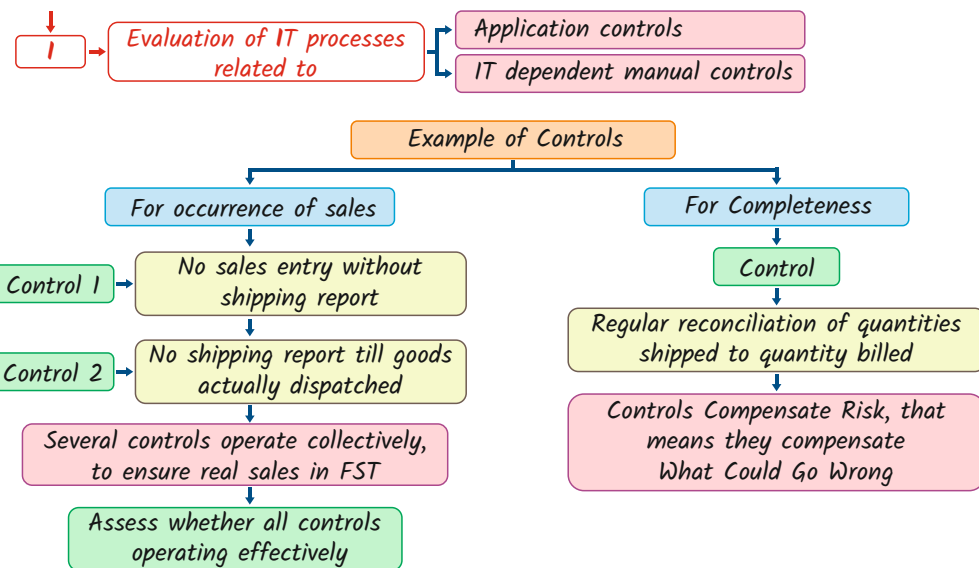
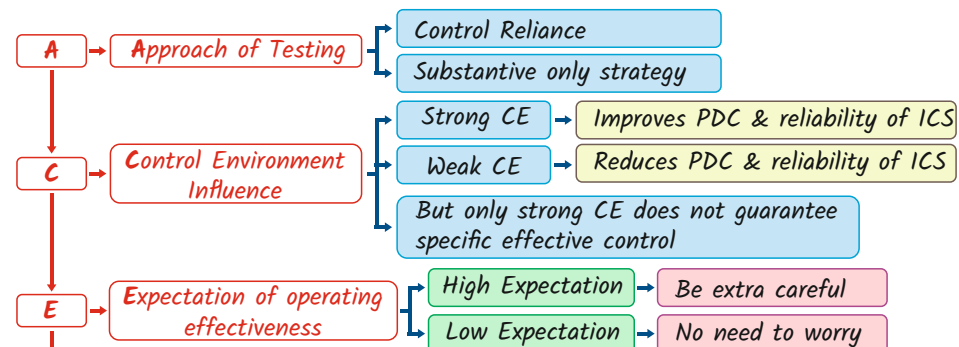
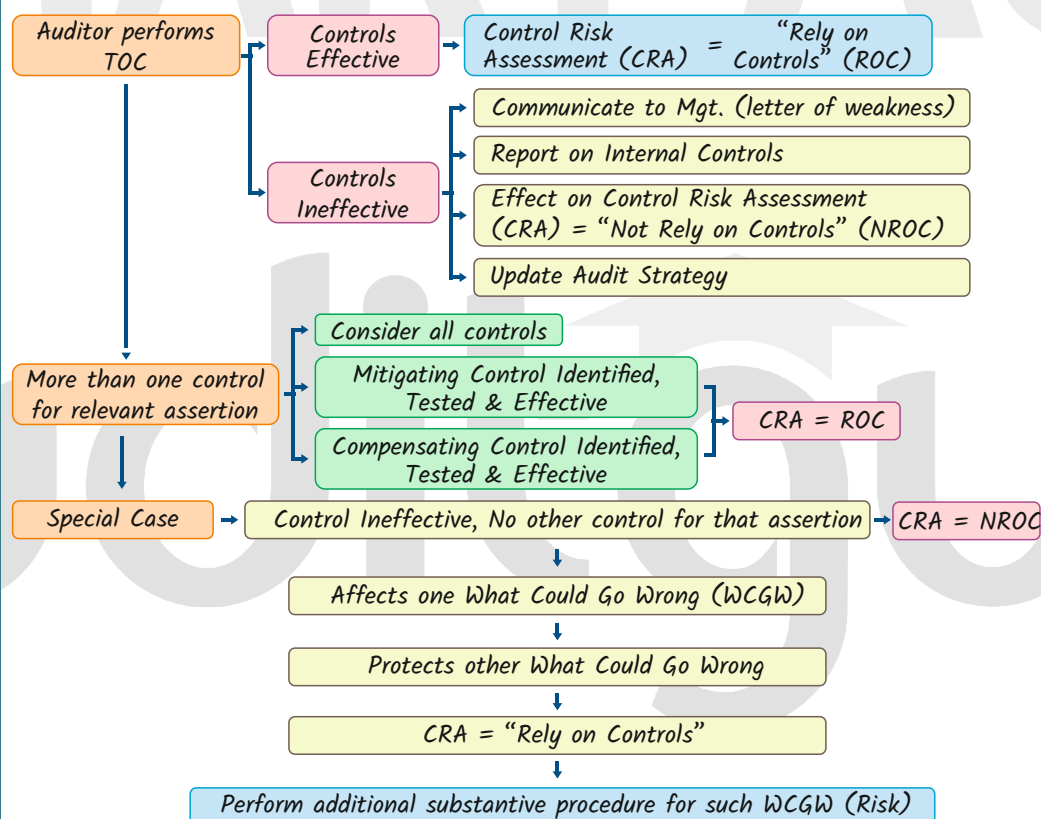
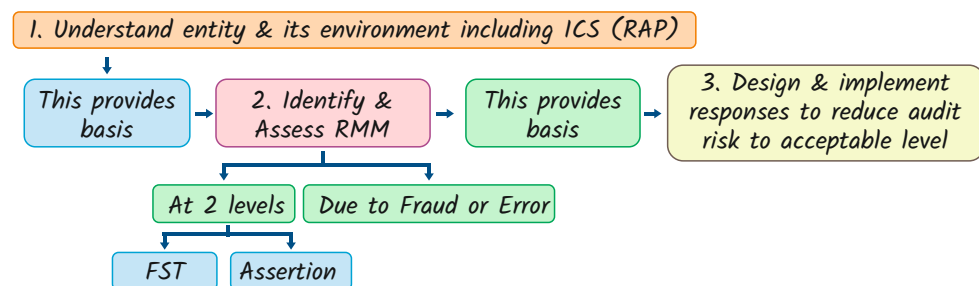
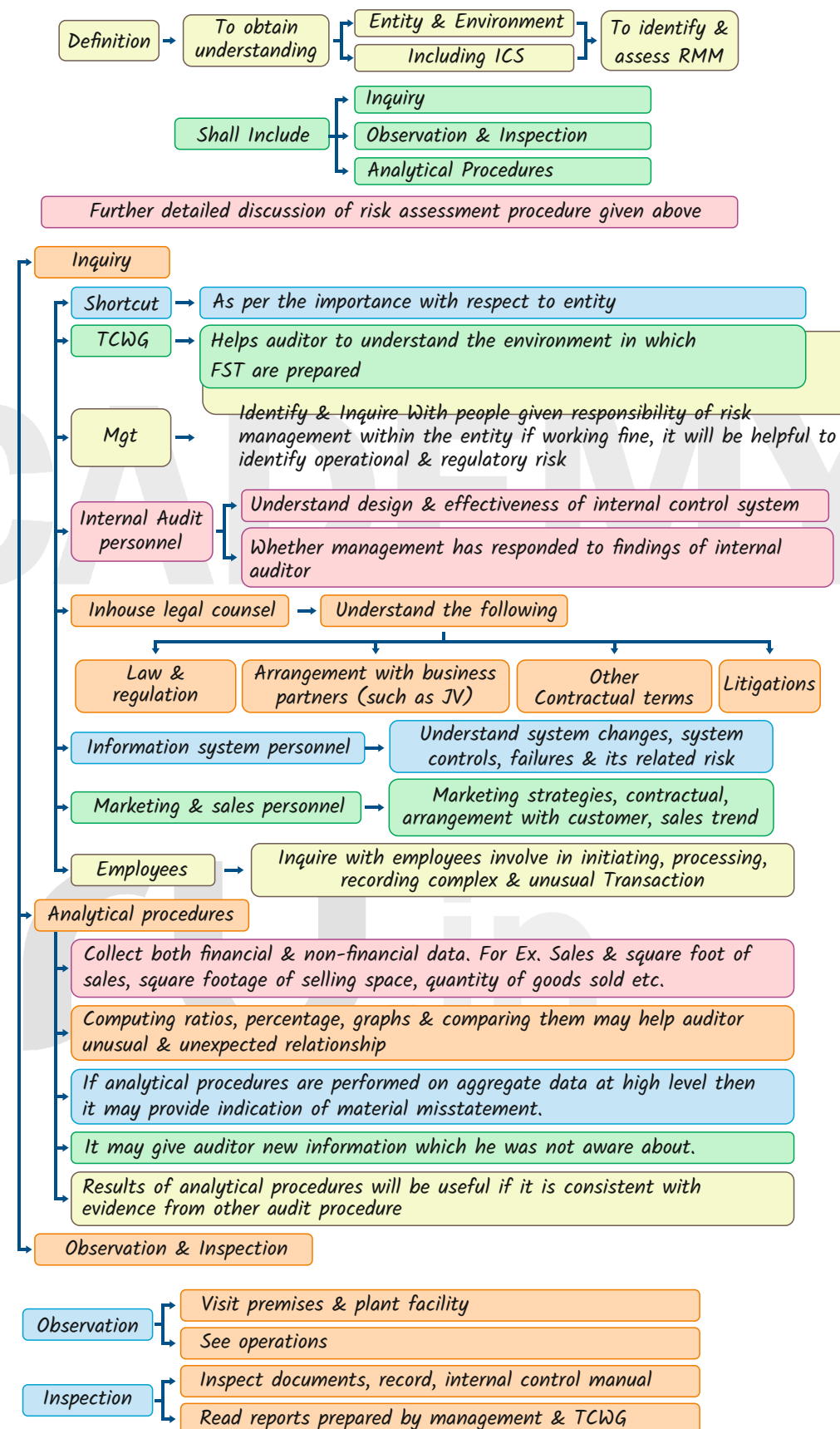
RISK OF MATERIAL MISSTATEMENT (RMM)

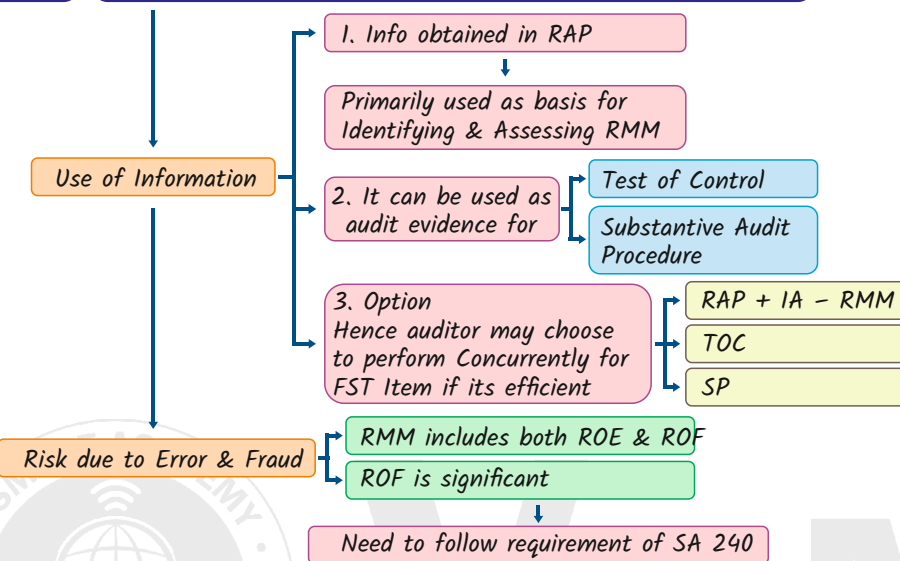
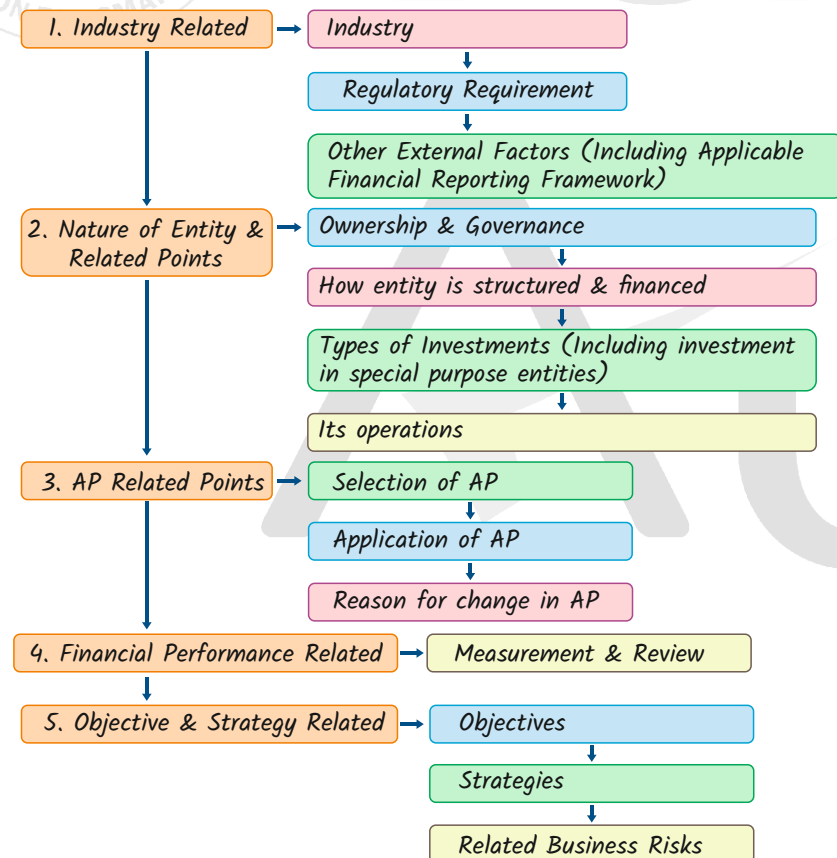
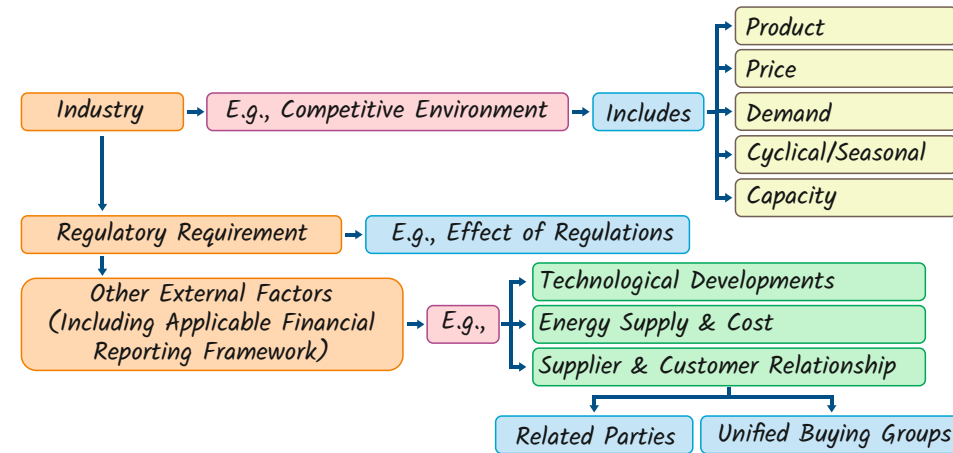
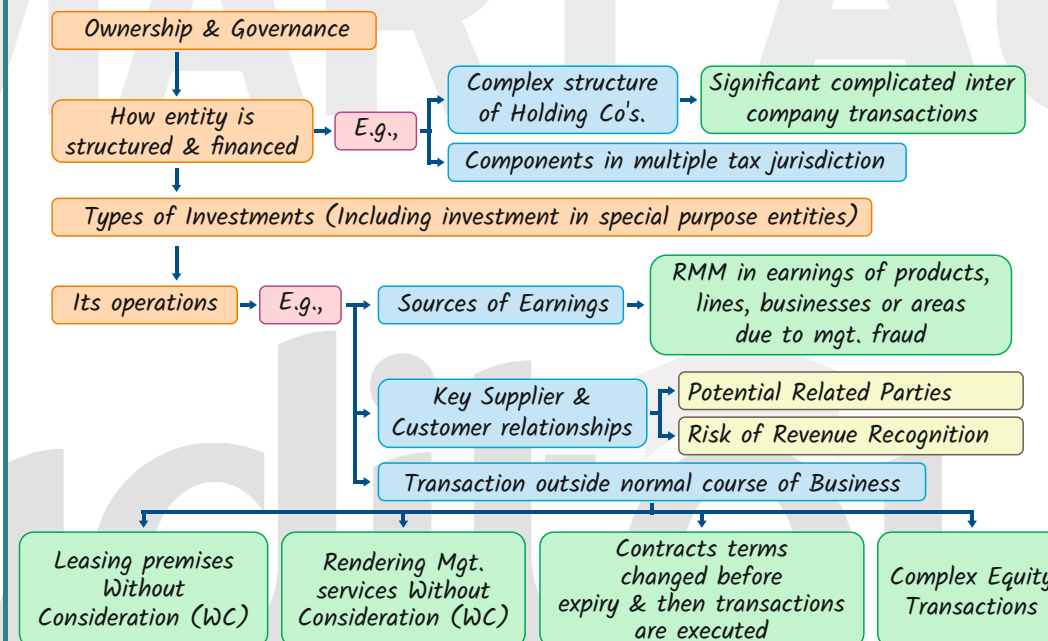
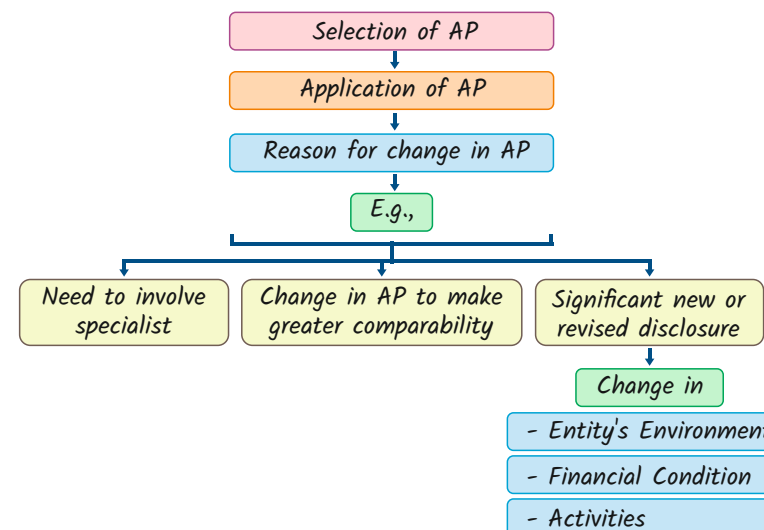
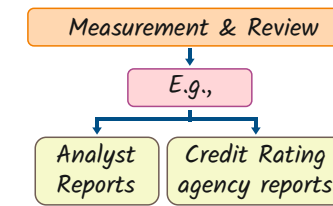
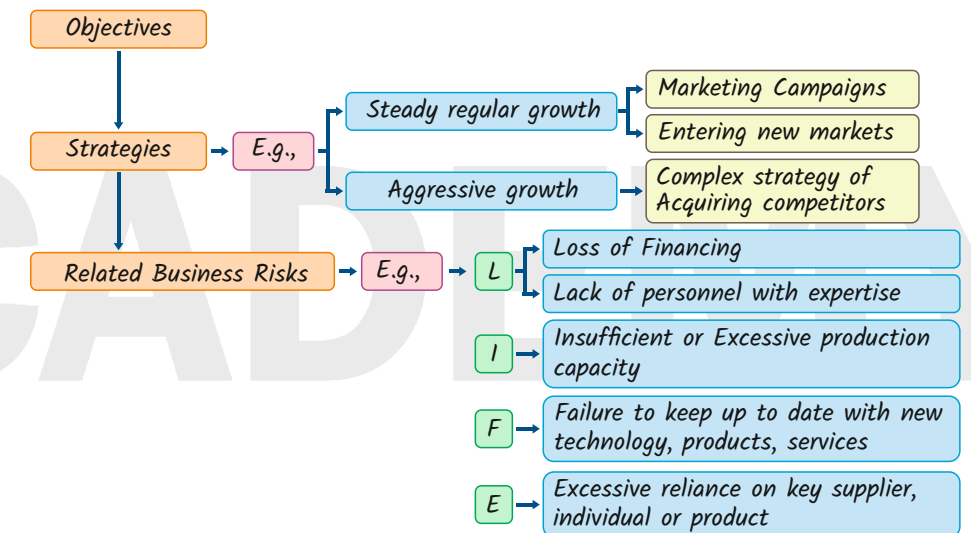


DETECTION RISK**AUDIT RISK****CONTROL RISK ASSESSMENT**

Consider following factors

Shortcut - ACE-Industries

**CONTROL RISK ASSESSMENT WHEN CONTROL DEFICIENCY IS IDENTIFIED****OBJECTIVES OF AUDITOR****STEP - 1 RISK ASSESSMENT PROCEDURE (HOW TO COLLECT INFORMATION)**

STEP - 1A**RISK ASSESSMENT PROCEDURE USE OF INFORMATION & RISK DUE TO ERROR & FRAUD****STEP - 1B****UNDERSTANDING ENTITY & ITS ENVIRONMENT****1****INDUSTRY RELATED POINTS****2****NATURE OF ENTITY & RELATED POINTS****3****AP RELATED POINTS****4****FINANCIAL PERFORMANCE RELATED****5****OBJECTIVE & STRATEGY RELATED****STEP - 1C****NEED OF UNDERSTANDING OF THE ENTITY**

It is a continuous process as we get exposed to entity, its environment, its document on continuous basis. So we gather, update & analyze information for the audit

With the help of this we create a frame of reference (image) which will be useful in planning the audit & exercising professional judgement

Following are the areas where this knowledge will be helpful

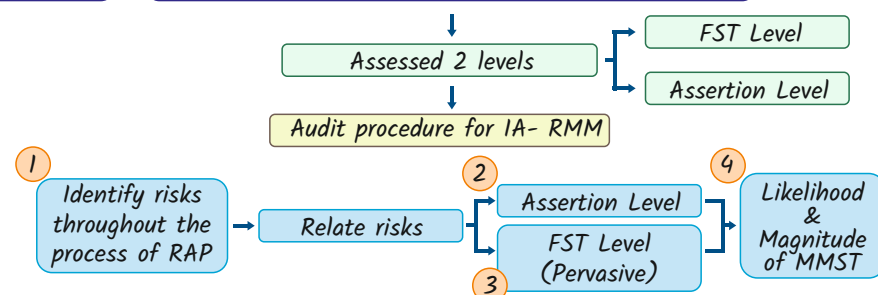
Shortcut - Main AREAS

- M** - **Materiality** - Determining materiality as per SA 320
- A** - **Selection & Application of accounting policies**
- R** - **Risk of Material Misstatement**
- E** - **Evidence** - Evaluating whether audit evidence is sufficient & appropriate
- A** - **In Analytical procedures developing expectation** - Assessing risk of material misstatement
- S** - **Identifying audit areas where special audit consideration may be necessary**

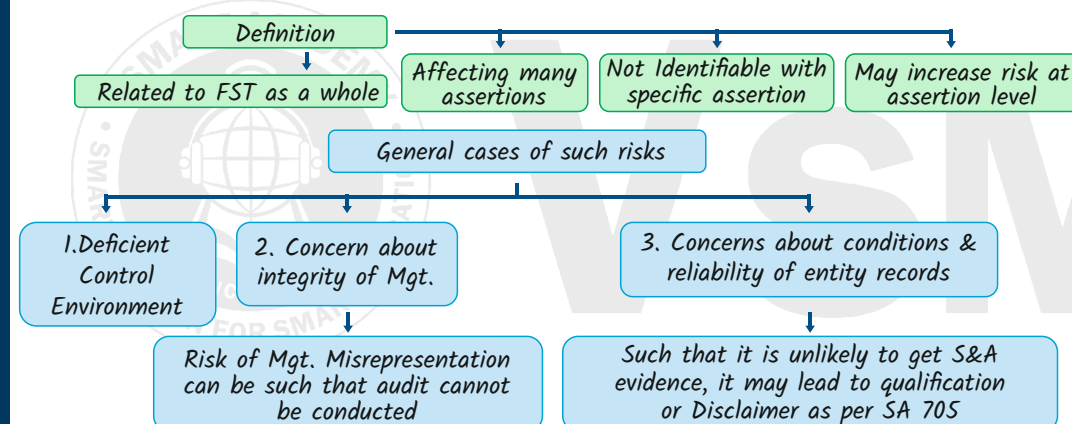
Ex- Related party, Going Concern



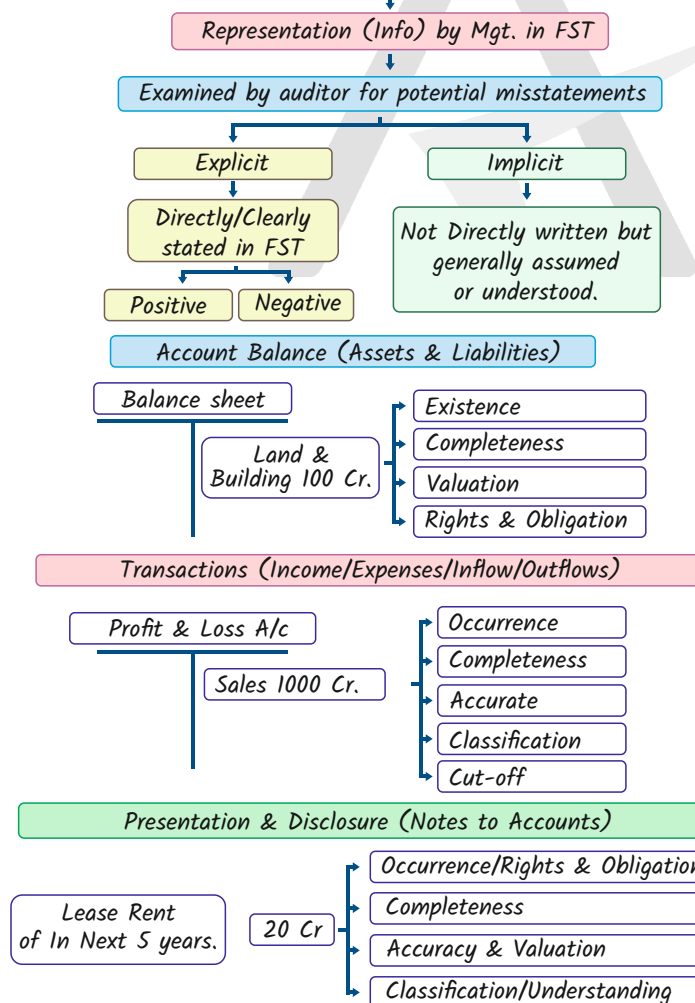
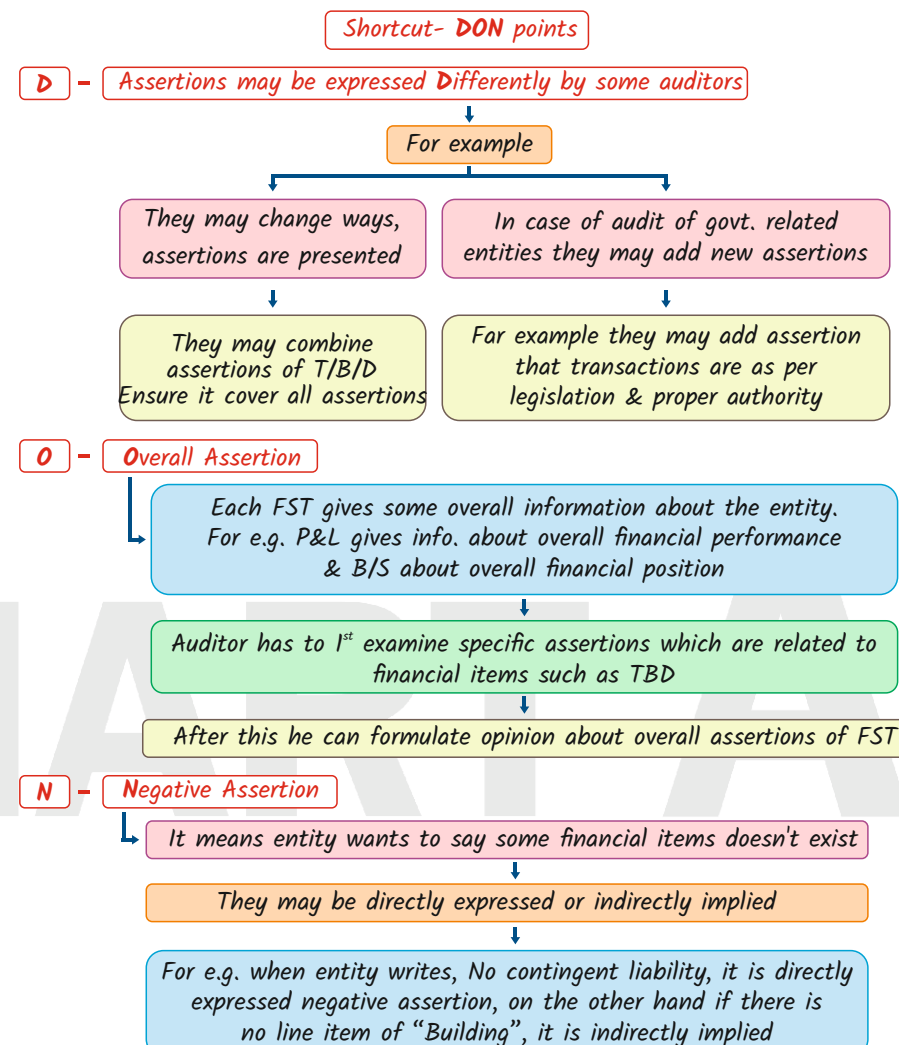
(CNO—SA315-PI.100) QNO-315.05, 315.15 (MCQ-315.15, 315.29, 315.30, 315.25)

STEP - 2**IDENTIFY & ASSESS RISK OF MATERIAL MISSTATEMENT (IA-RMM)**

(CNO—SA315-PI.100)

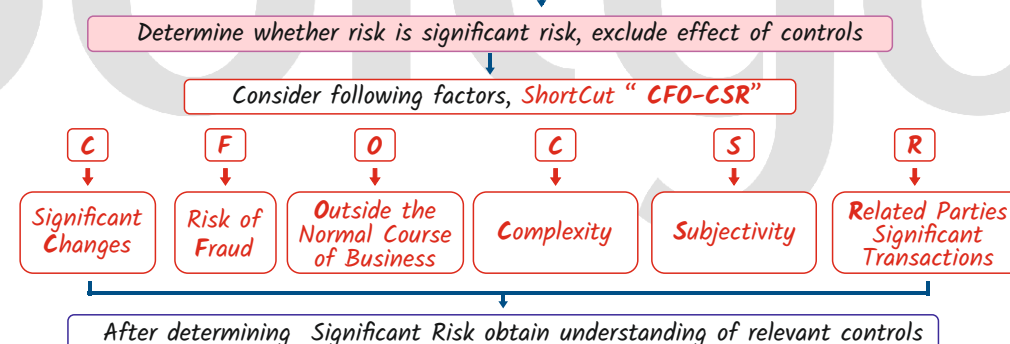
STEP - 2A**FINANCIAL STATEMENT LEVEL RISK**

(CNO—SA315-PI.100) (QNO-315.16, 315.17, 315.19, 315.23) (MCQ-315.24, 315.19, Incs.19.4, Incs.44.1 44.2, 44.4)

STEP - 2B**ASSERTIONS**Continue
on next
column...**OTHER POINTS RELATED TO ASSERTION**

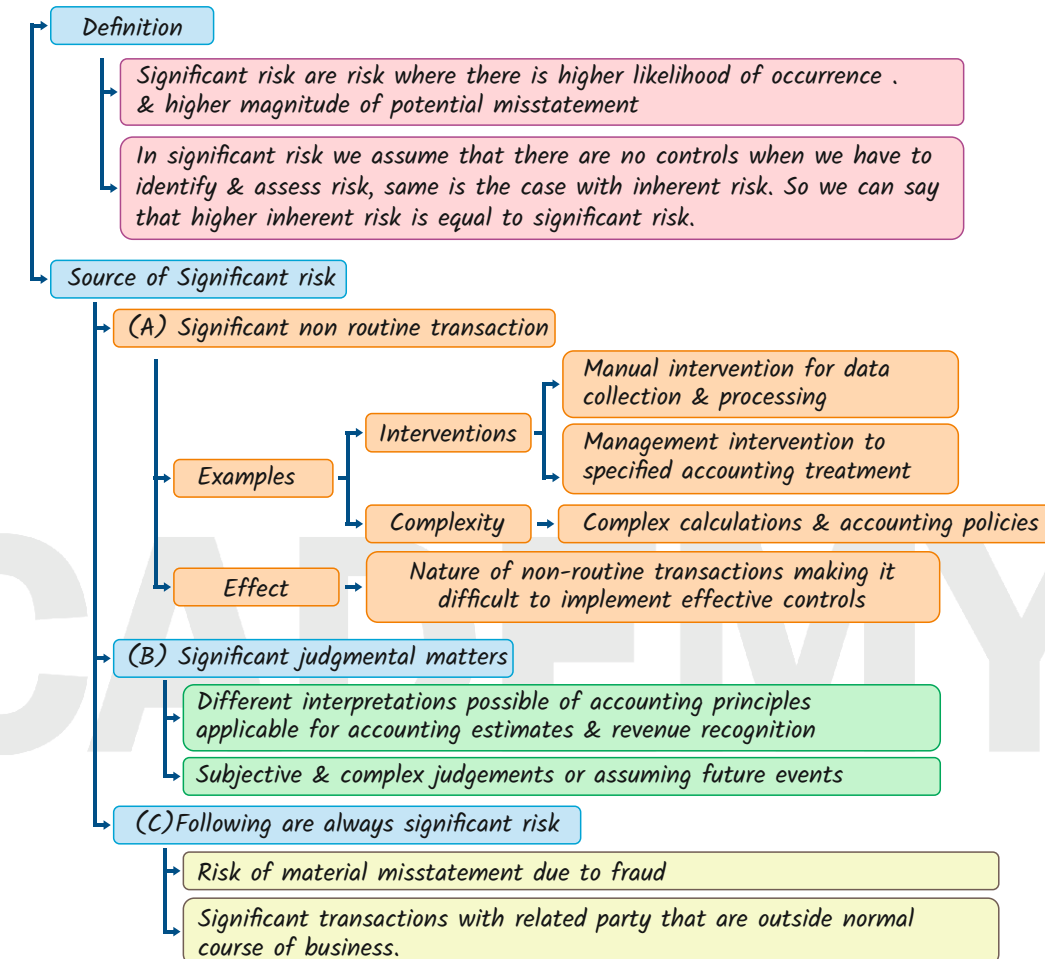
(CNO—SA315-PI.120)

(QNO-315.25) (MCQ-Incs.59.4)

STEP - 3**RISK THAT REQUIRES SPECIAL AUDIT CONSIDERATION**

(CNO—SA315-PI.140)

(QNO-315.26)

IDENTIFYING SIGNIFICANT RISK

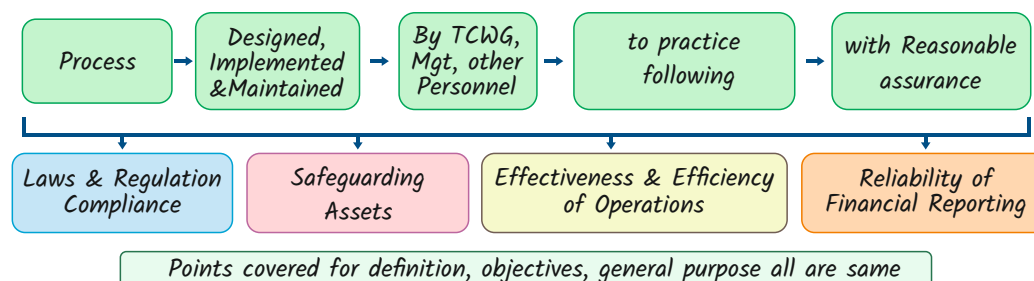
(CNO—SA315-PI.160)

DOCUMENTATION

Part 2 – SA 315

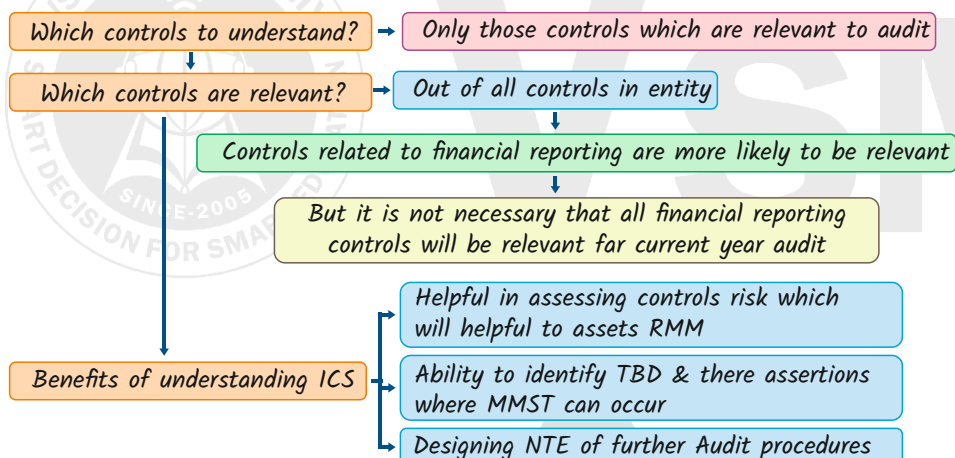
(CNO—SA315-P2.020) QNO-ICS.01, ICS.02 (MCQ-Incs.53.4)

DEFINITION OF INTERNAL CONTROL SYSTEM(ICS)



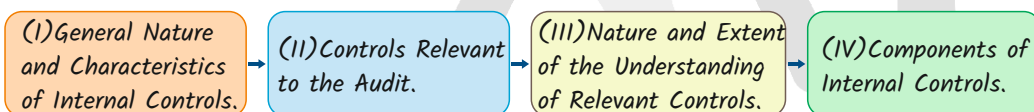
(CNO—SA315-P2.030) (QNO-ICS.02.50)

UNDERSTANDING ENTITIES INTERNAL CONTROL



(CNO—SA315-P2.040)

STUDY OF VARIOUS ASPECTS OF INTERNAL CONTROL SYSTEM



(CNO—SA315-P2.060)

GENERAL NATURE AND CHARACTERISTICS OF INTERNAL CONTROLS

Same as Definition of Inter Control System

(CNO—SA315-P2.065)

(QNO-ICS.14) (MCQ-Incs.59.2)

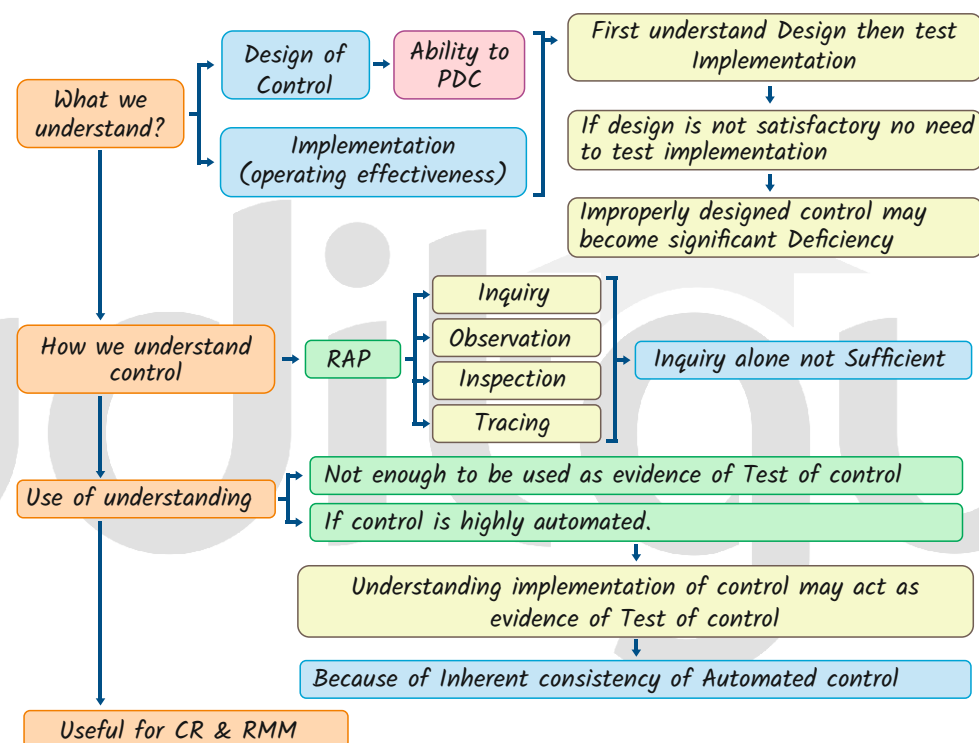
CONTROLS RELEVANT TO THE AUDIT

Shortcut- MS²N Developed Light Compact Nice Watch relevant for kids

- M** - Materiality.
- S** - The significance of the related risk.
- S** - The size of the entity.
- N** - The nature of the entity's business, including its organisation and ownership characteristics.
- D** - The diversity and complexity of the entity's operations.
- L** - Applicable legal and regulatory requirements.
- C** - The circumstances and the applicable component of internal control.
- N** - The nature and complexity of the systems that are part of the entity's internal control, including the use of service organisations.
- W** - Whether, and how, a specific control, individually or in combination with others, prevents, or detects and corrects, material misstatement.

(CNO—SA315-P2.075)

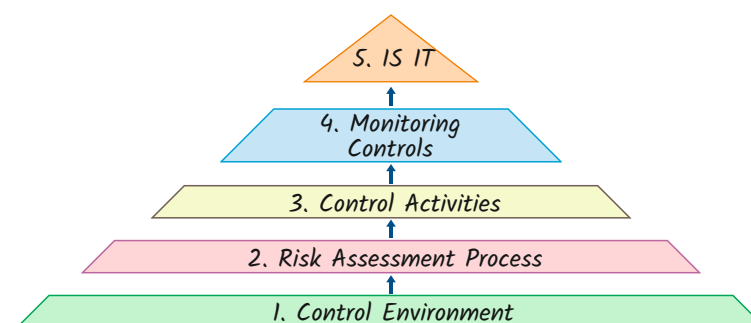
UNDERSTANDING RELEVANT CONTROL



(CNO—SA315-P2.080)

(CNO-ICS.03, ICS.04)

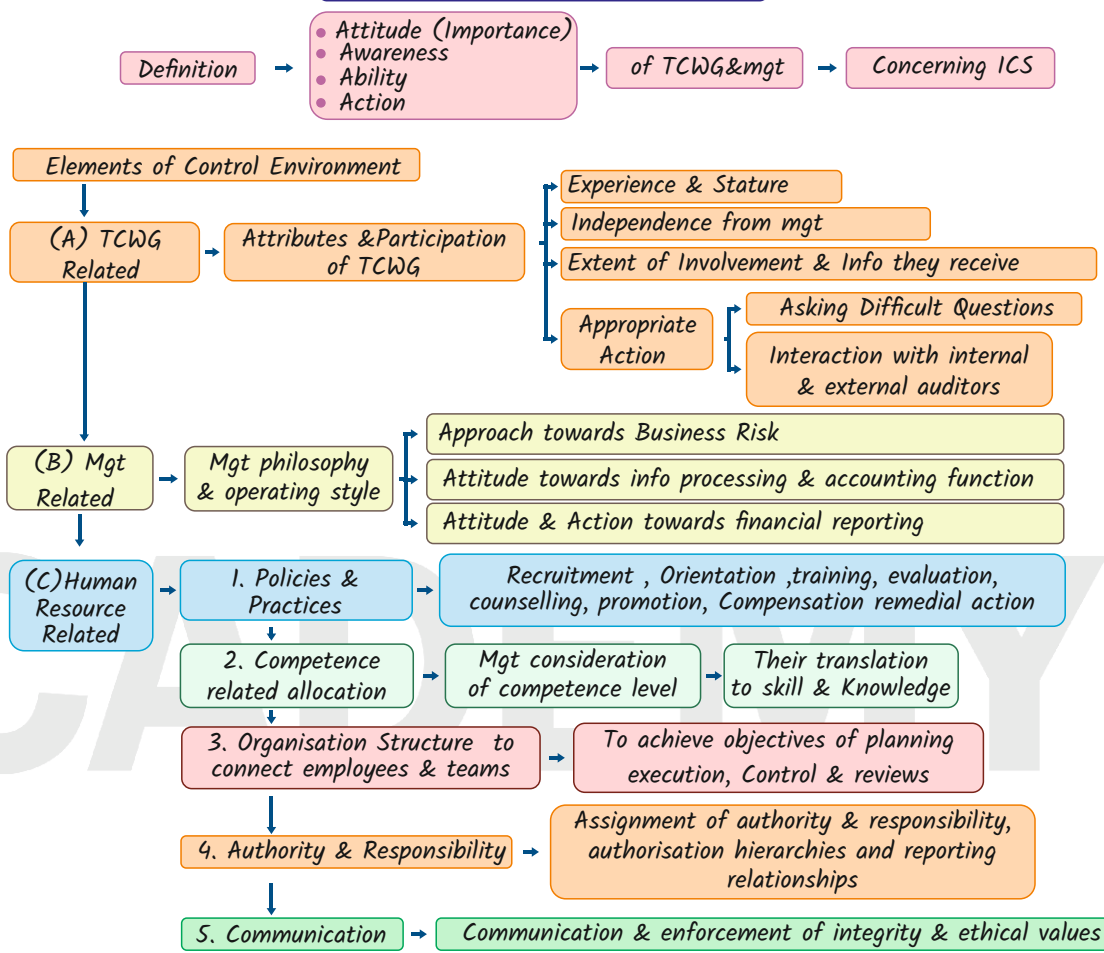
COMPONENTS OF INTERNAL CONTROL



(CNO—SA315-P2.100)

(QNO-ICS.03, ICS.11)(MCQ-Incs.63.3)

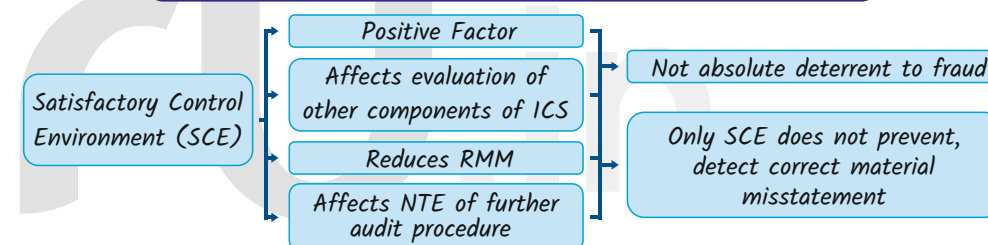
I. CONTROL ENVIRONMENT



(CNO—SA315-P2.110)

(QNO-ICS.05)

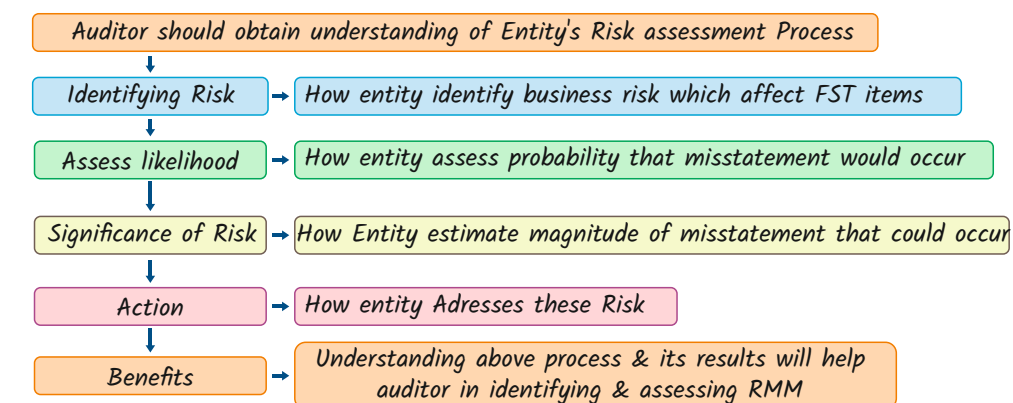
SATISFACTORY CONTROL ENVIRONMENT – NOT AN ABSOLUTE DETERRENT TO FRAUD

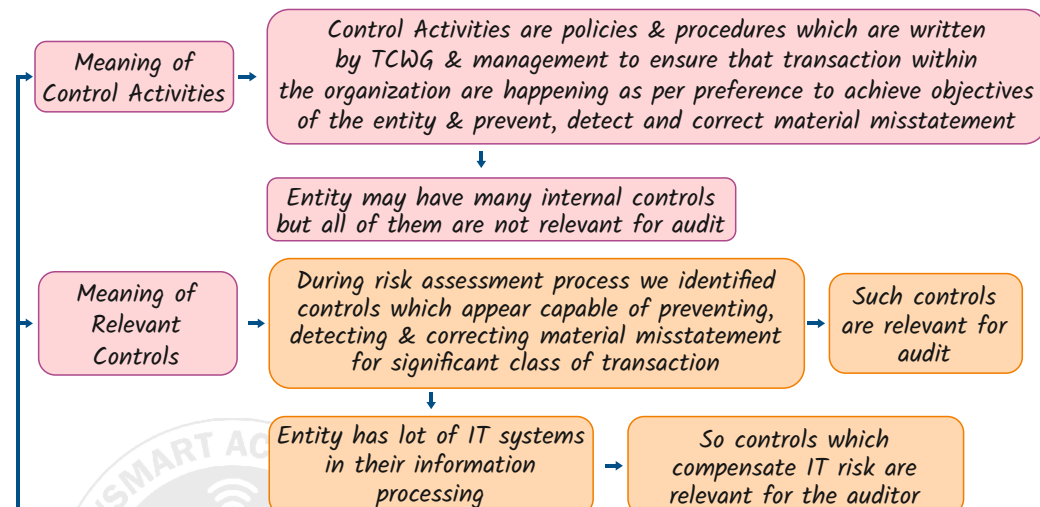


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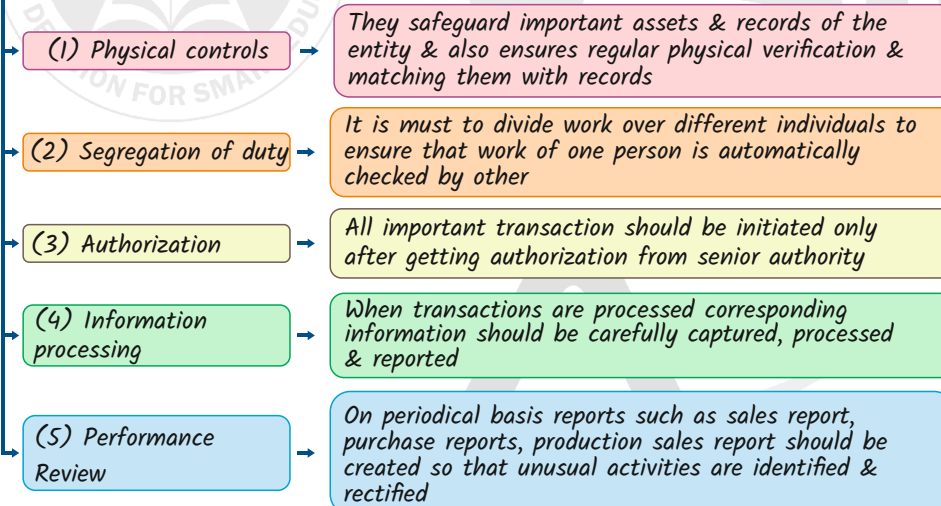
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ENTITY RISK ASSESSMENT PROCESS



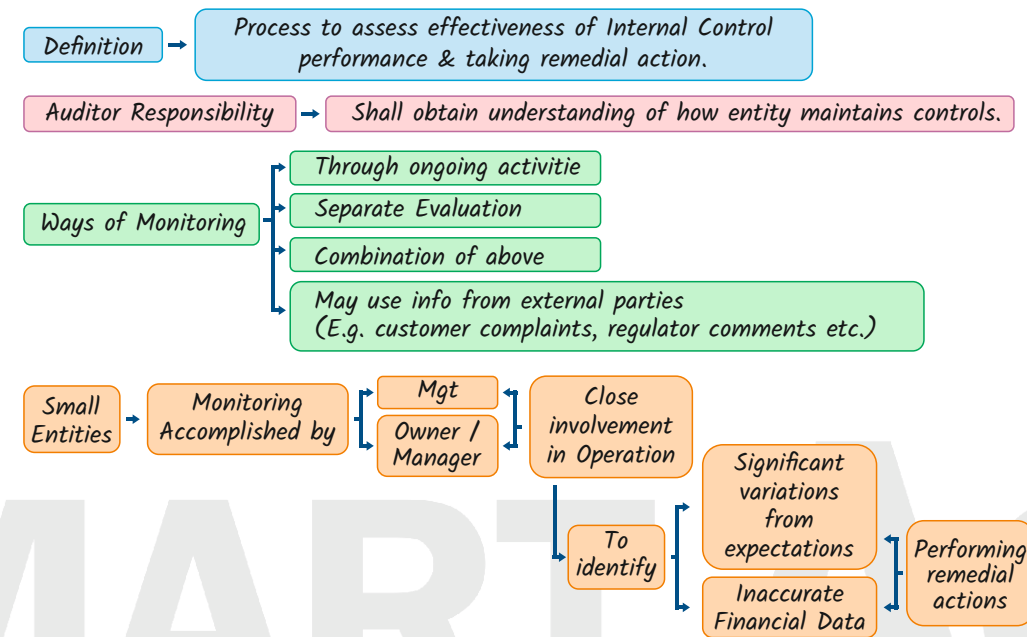
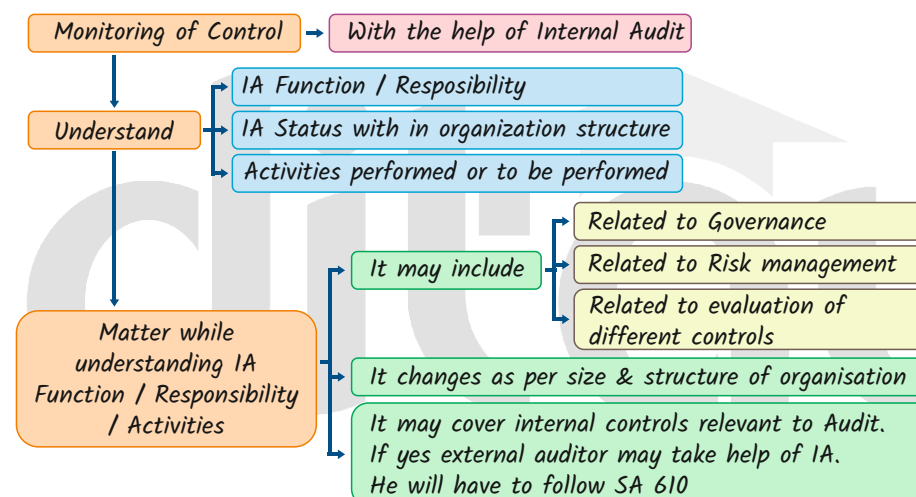
3. CONTROL ACTIVITIES**Examples of specific control activities**

Following are the control activities which are generally used by the entity to prevent, detect & correct material misstatement

**FURTHER EXPLANATION OF CONTROL ACTIVITIES RELEVANT TO AUDIT**

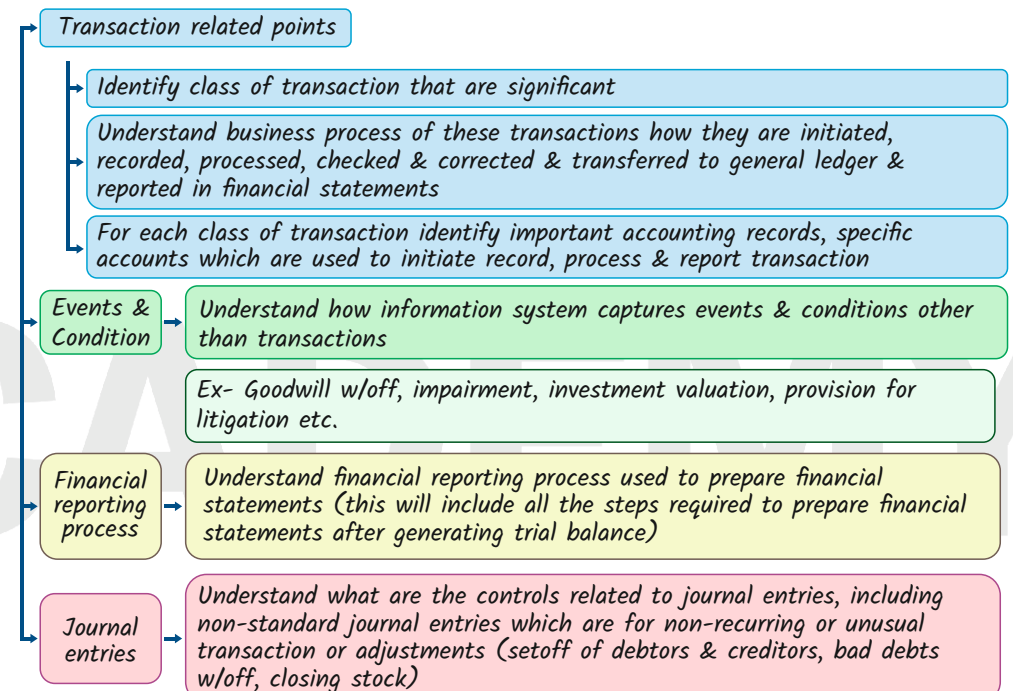
It includes following controls

- (1) Controls which were identified during risk assessment process as capable of preventing, detecting & correcting misstatement
- (2) Controls which are related to significance risk
- (3) Controls in areas where there is high level of automation & substantive procedures alone do not provide sufficient appropriate audit evidence
- (4) Apart from this auditor can consider any control as relevant for audit as per his professional judgement

4. MONITORING CONTROLS**MONITORING OF CONTROLS - IN THE ENTITY HAS AN INTERNAL AUDIT FUNCTION****5. UNDERSTANDING INFORMATION SYSTEM & COMMUNICATION**

It is auditors responsibility to understand important transactions, how it is processed in business & how its processing takes place in Accounting

For this following matters should be understood



COMMUNICATING FINANCIAL ROLES & RESPONSIBILITY

1. External communication such as those with regulatory authority where they may inform industries or particular entity what kind of financial information is expected

2. Communication between TCWG & management where audit committee may inform management about important accounting policies that should be followed & what should be frequency & timing of preparation of financial statements

3. How entity communicates financial roles & responsibility to its employees

For Ex- Who is responsible for fixed assets, investments, debtor, trade payable, provisions etc.

Further explanation

a. Understand how entity communicates roles & responsibility in detail to the individuals in accounting department with respect to internal control over financial reporting

b. How entity explains employees in accounts department how their work is used in overall process & where they can report exception (mistake) so that rectification can be done as early as possible

Ex- Amt. & interest payable to micro, small & medium enterprises is relevant for Schedule III notes to accounts reporting, disallowance of interest in tax computation & also reporting in form 3 CD of tax audit

Employee will be told whom to report if he has to rectify things

c. Whether entity has company policy manual & financial reporting manuals explaining how to deal with transaction & events

d. Whether entity promote open communication so that exceptions are reported & rectifications are done as soon as possible.

e. In small entities, communication is less structured so it is fast clear & action is taken immediately. But in larger entities, communication can be slow formal & it may take time to reach people & to initiate rectification

(CNO-SA315-P2.200)

(QNO-ICS.31, ICS.02.50)

EVALUATION OF INTERNAL CONTROL BY AUDITOR

It is auditor's duty to evaluate & understand test internal control system as a part of financial audit. It helps auditor to understand which areas are less risky which are more risky so he can further plan substantive procedures.

We understand internal control with respect to transaction as well as accounting controls also for the same

Benefits / knowledge obtained from evaluation of internal control

Shortcut - **A'RISE** for benefits

A - Adequacy of internal control system to cover all the areas and circumstances

A - Administrative control (system related to managing staff) like if there is weakness in recruitment of employees then it will increase risk of dummy employees which auditor needs to be careful

A - Audit techniques & Audit procedures that will be required to test assertions where controls are not performing properly

A - Areas of controls which are weak & where there are excessive controls

Continue on next column...

A - Areas of controls which are weak & where there are excessive controls

R - Whether management successful in correct Recording of transaction

R - Whether management is getting Reliable records, reports, certificate from its information system & professional which are hired

I - Whether Internal audit department is operating effectively

S - Whether system is Safeguarding assets properly

S - Auditor may come across Suggestions for management in improving internal control system

E - Types of Error & frauds which are likely to be located in ordinary course of business

E - Extend the depth of examination that will be required in certain accounting areas

(CNO-SA315-P2.210)

(QNO-ICS.41)

FORMULATE AUDIT PROGRAMME AFTER UNDERSTANDING IC

Responsibility of Auditor

Understand IC

Test actual operations

Why? (Benefits)

Shortcut - **WRAT**

Weakness & Suggestions

Objective Audit programmes & evaluation

Bring to notice weakness

Suggest measures to improve

On interim date check whether weakness removed

Real state of affairs

Sometimes, after installation mgt doesn't pay attention to compliance

He may believe ICS are operational, which are not

State of affairs may be worst

He may make inappropriate AP

Aproprate Audit procedure

Helps deciding appropriate audit procedure

Where controls are weak, some Audit procedure may be selected which are generally not applied or extent of Audit procedure can be increased

Example

Controls are weak

In wages

Observe distribution, to check dummy workers

In Trade Receivable

Increase number of EC Request

Date should be year end & not any date close to year end

Test checking plan

Influences sample planning

(CNO-SA315-P2.220)

TOOLS OF ICS REVIEW

Narrative Records

Flow chart

Check List

Questionnaire

(CNO-SA315-P2.240)

(QNO-ICS.23, ICS.25) (MCQ-Incs.41.3)

NARRATIVE RECORDS

Definition

Recommended where there is no formal control system

Prepared after observation & Actual Testing

Complete & Exhaustive description of ICS

Disadvantage

To Comprehend System

To Identify weakness

To Incorporate Changes

(CNO-SA315-P2.260)

(QNO-ICS.15) (MCQ-Incs.41.4)

FLOW CHART

Definition

Graphic presentation of ICS

Advantage

Birds Eye View of system, flow of transaction & Integration

Most concise way of review

Minimise amount of narrative explanation

Easy to spot deficiencies & suggest improvement

(CNO-SA315-P2.280)

(QNO-ICS.21, ICS.25) (MCQ-Incs.41.2)

CHECK LIST

Definition

Series of instructions or questions

Which member of staff must follow & answer

He completes instruction, put his initials after performing instruction

Answered in Yes/No / NA

Example

Check list for purchases

Tender

Written order

PO Standardised

PO Pre-Numbered

Stock Control Accounts Person Independent of

Purchase

Receipt

Inspection

Custody

Evaluation

Studied by Principal/Manager/Senior

(CNO-SA315-P2.300)

(QNO-ICS.17) (MCQ-ICS.1, Incs.41.5, Incs.63.1)

INTERNAL CONTROL QUESTIONNAIRE

Definition

Comprehensive series of Questions

Questionnaire is usually issued to Client

Client is requested to fill it

Questions framed where answer is

Most widely used

Framed in one complete set or in sections

Done Annually

If inconsistencies or incongruities noticed, the matter is further discussed

Yes - Satisfactory ICS

No - Suggest weakness

NA - Not relevant



CA Vishal Bhattad's
VSMART ACADEMY
Auditguru.in

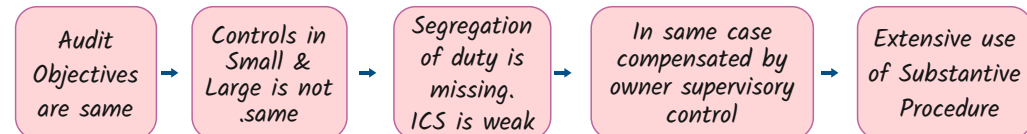
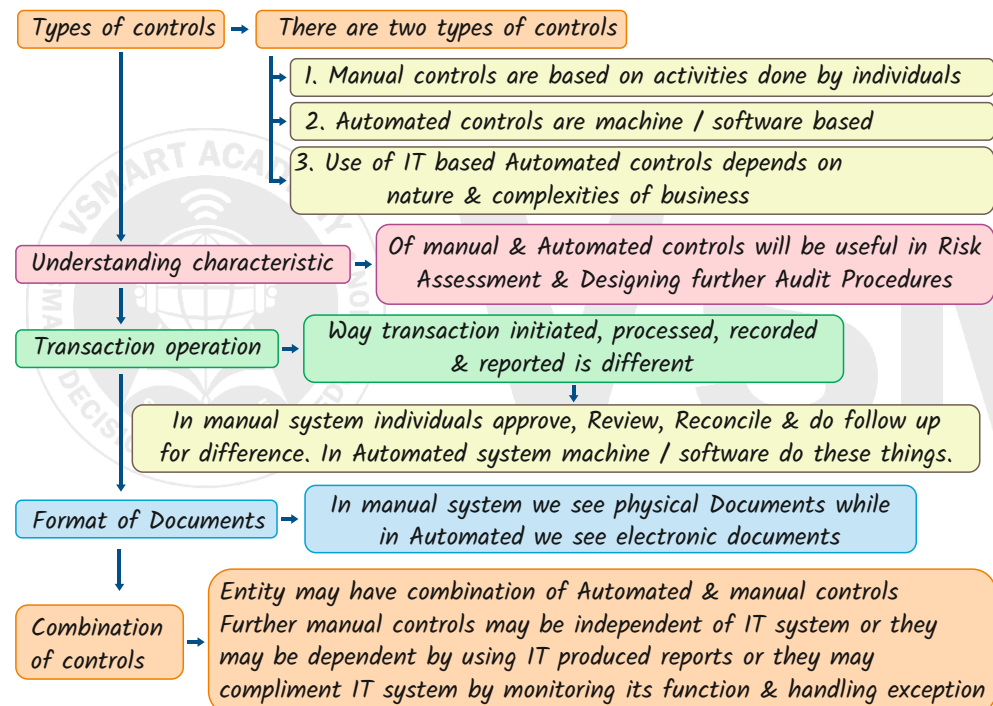
CA Ravi Taori



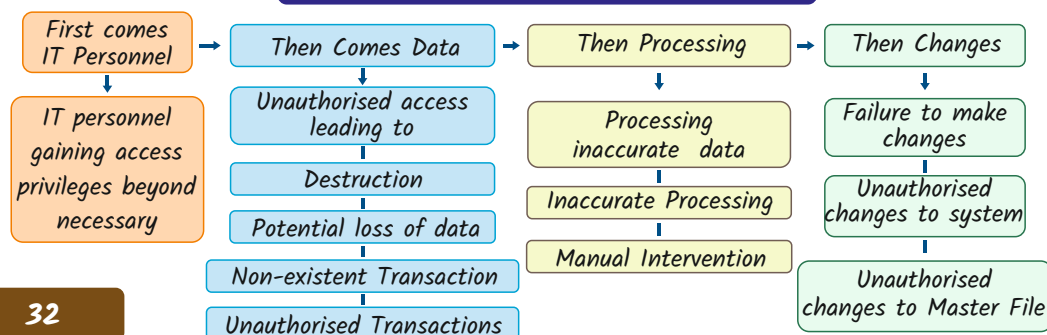
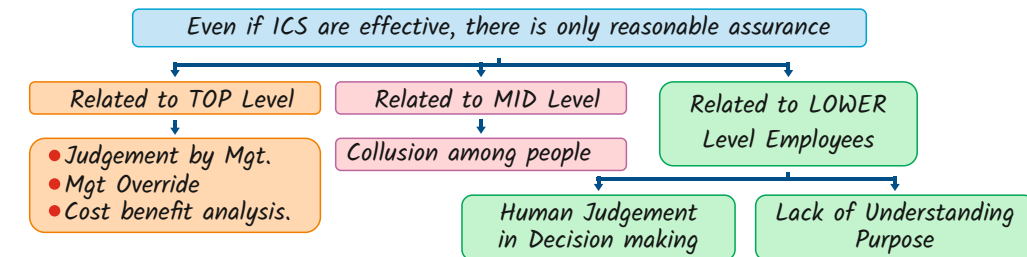
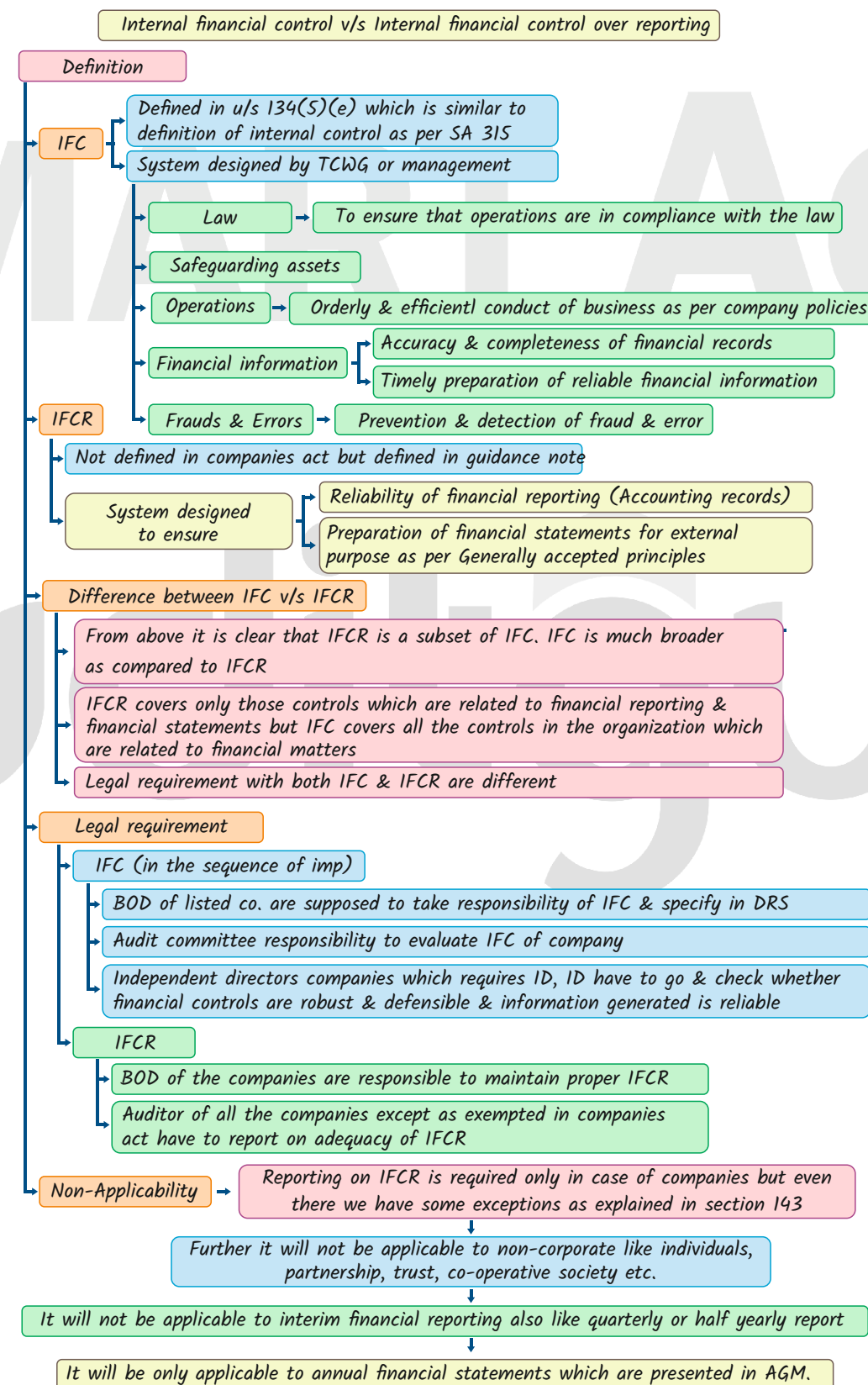
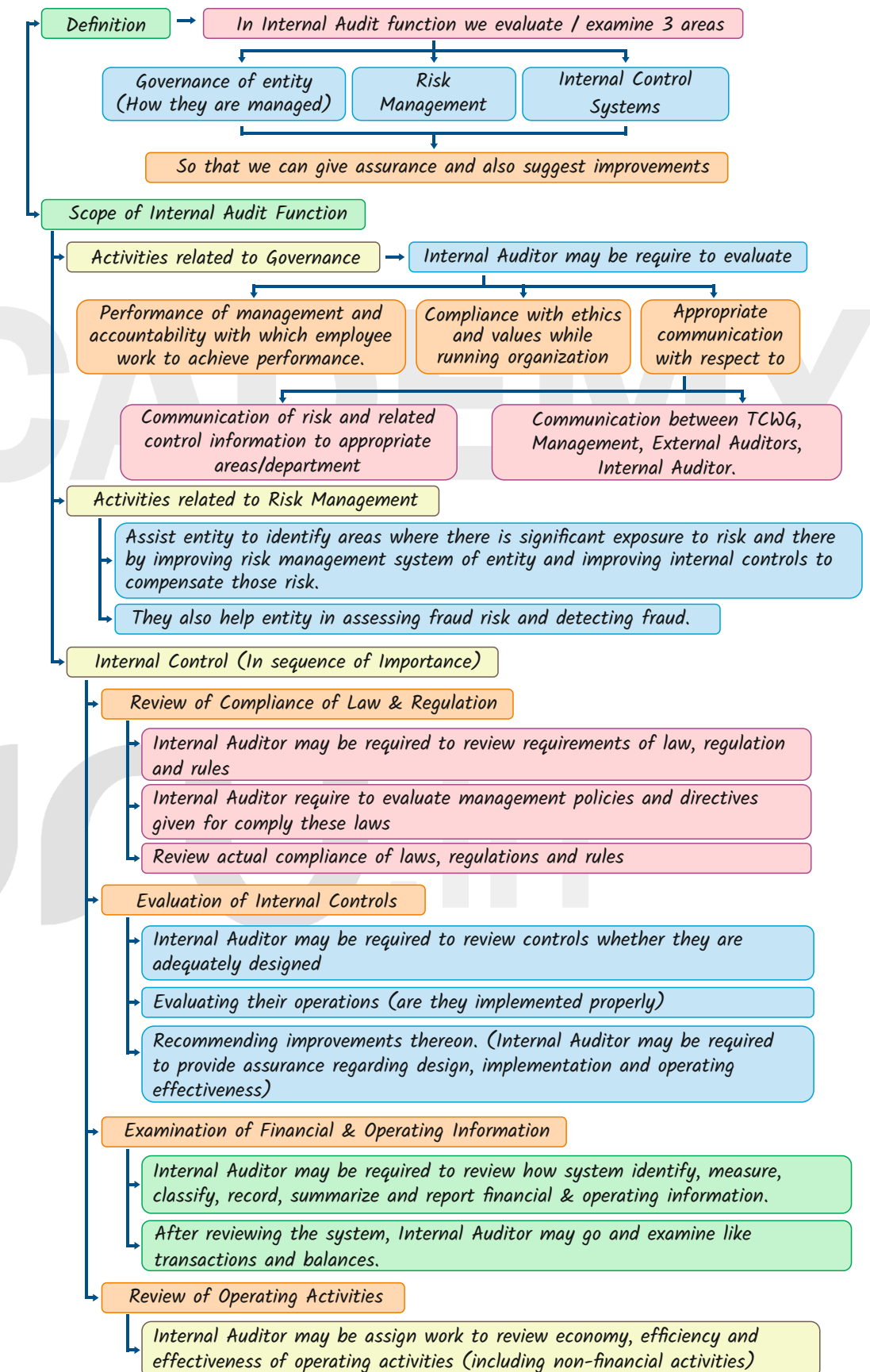
Doubts



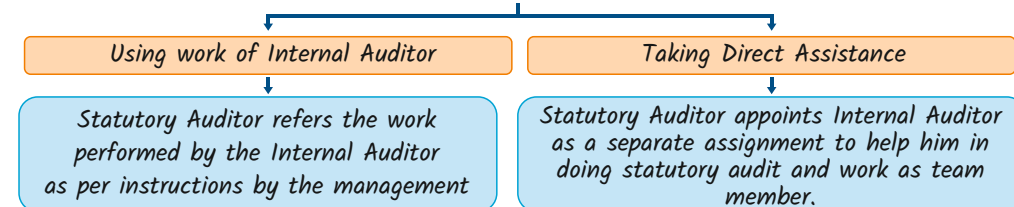
Telegram

INTERNAL CONTROLS IN SMALL BUSINESS**MANUAL & AUTOMATED INTERNAL CONTROL****BENEFITS OF IT IN ENTITY'S INTERNAL CONTROLS**Shortcut - **SMART & C² Lever**

- S** - Segregation of duties
- M** - Monitor the performance
- A** - Additional analysis of information
- R** - Reduce the risk
- T** - Timeliness, availability & accuracy of information
- C** - Consistently apply rules
- C** - Perform Complex calculation
- L** - Process Large volumes of transaction

RISK BECAUSE OF IT SYSTEMS**LIMITATION OF ICS****IFC v/s IFCR****USING THE WORK OF INTERNAL AUDITORS****DEFINITION AND SCOPE (RANGE OF ACTIVITY) OF INTERNAL AUDIT**

SA 610 EXPLAINS THAT STATUTORY AUDITOR CAN TAKE HELP OF INTERNAL AUDIT FUNCTION IN FOLLOWING TWO WAYS:-



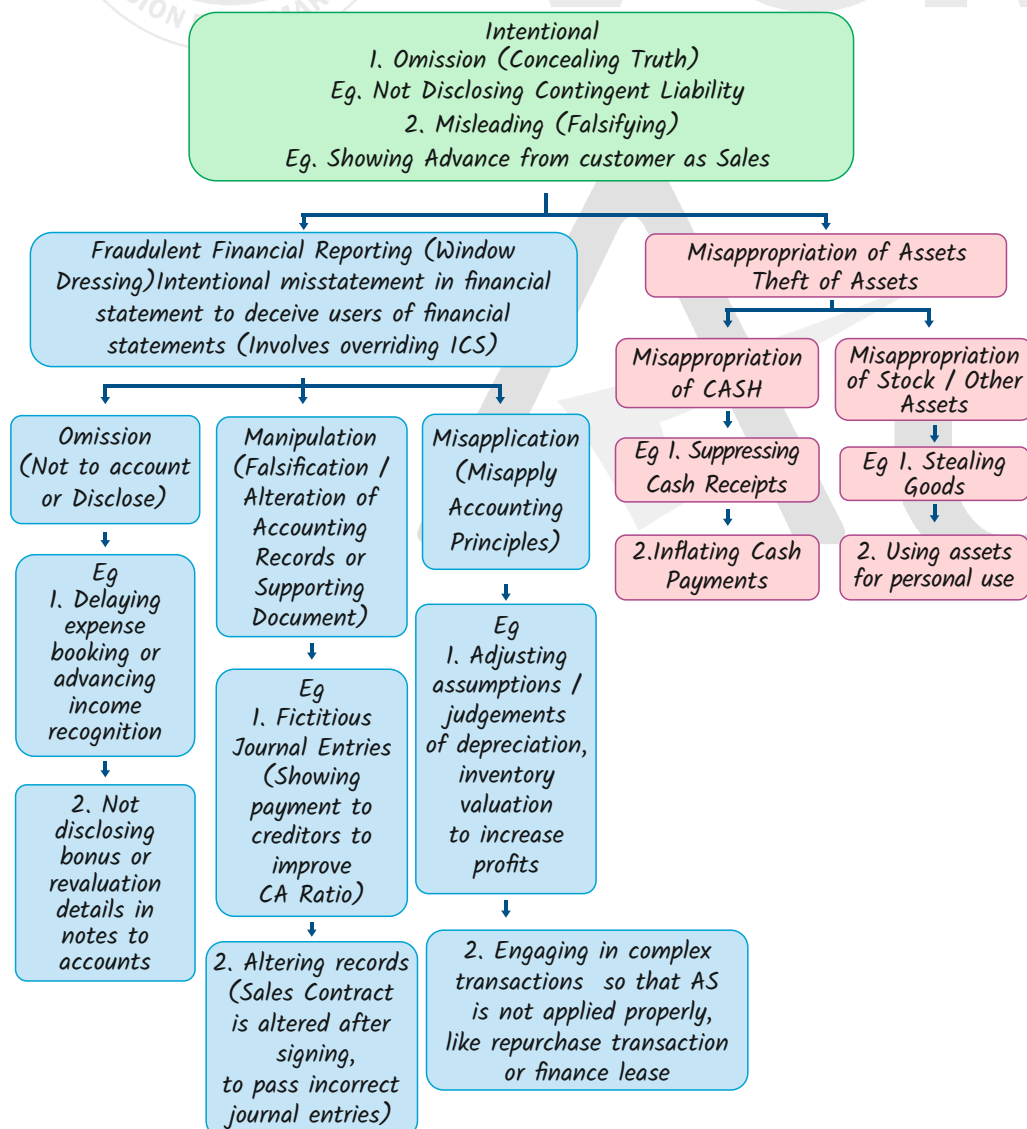
05

FRAUD AND RESPONSIBILITIES OF THE AUDITOR IN THIS REGARD

Part - I SA 240

(CNO—SA240.020) QNO-240.01,240.03,240.6,240.11 (MCQ-240.9, Incs.57.1,Incs.36.1, 36.3,33.3)

FRAUD MEANS



FRAUD RISK FACTORS

Events or Conditions that increase chances that fraud can happen in the form of Pressure / Incentive or Attitude / Rationalisation or Opportunity

Fraudulent Financial Reporting

Pressure / Incentive

Pressure is created because of financial stability or profitability is threatened by following factors

- (In sequence of importance)
- LAW- New statutory or regulatory requirement
- Market - High degree of market saturation or competition
- Business - Increase in business failure
- Customer - Significant decline in customer demand
- Accounting - New accounting requirements
- Operating losses - Threatening bankruptcy, foreclosure taking possession of assets in case of default in repayment or hostile takeover
- Cashflow - Recurring negative cashflow or inability to generate cashflow though there is earning or growth in earning

Attitude / Rationalisation

Following attitude related matters may suggest inappropriate ethical values or standards communicated or enforced

(Shortcut- HIT Require Nerdy Friends)

- H - History of violation of security or other laws
- I - Excessive Interest by management in increasing or maintaining earning strength or inventory price
- T - For tax motivated reasons using inappropriate means to minimize earnings
- R - Relationship between management & auditor is strained & exhibited by following
(Shortcut- DR- DU)
D - Frequent disputes /
R - Restriction on auditor /
D - Domineering management /
U - Unreasonable demands on auditor
- N - Not distinguishing between personal & business transaction
- F - Failing to rectify significance deficiency

Opportunity

Opportunity may be created for FFR because of following:

(Shortcut - opportunity hai TU DRS le)

- T - Tax haven jurisdiction are having subsidiary / branch / significant bank a/c without any business justification
- U - Unusual or highly complex significant transaction having difficult "substance over form" question
- D - Ability to dominate or strong financial presence in certain industry which allows to dictate terms or condition to supply or customers
- R - Significant related party transaction not in ordinary course of business or where related party not audited
- S - Significant estimates affecting assets, liability, revenue & expenses

Misappropriation of Assets

Pressure / Incentive

Following circumstances create pressure for misappropriation

- Personal financial obligations
- Adverse relationship between entity & employees who have access to assets
- Adverse relationship may occur because of following - known or anticipated layoffs / recent or anticipated changes to employee compensation / promotion / compensation not as per expectation

Opportunity

Following may create opportunity for misappropriation

- Characteristic of assets or circumstances increasing susceptibility (chances) of misappropriation
 - Fixed assets which are small / marketable / no identification mark
 - Easily convertible bonds / computer chips / diamonds
 - Inventory items small in size & high in value or high in demand
 - Large cash in hand
- Inadequate internal control because of following
 - Inadequate physical safeguards
 - Inadequate segregation of duties
 - Inadequate system of authorization
 - Inadequate records of transaction or assets
 - Inadequate access control over important records
 - Lack of timely reconciliation of assets
 - Inadequate oversight of senior management over expenditure
 - Inadequate management understanding of IT systems
 - Lack of mandatory vacation for employees

Attitude / Rationalisation

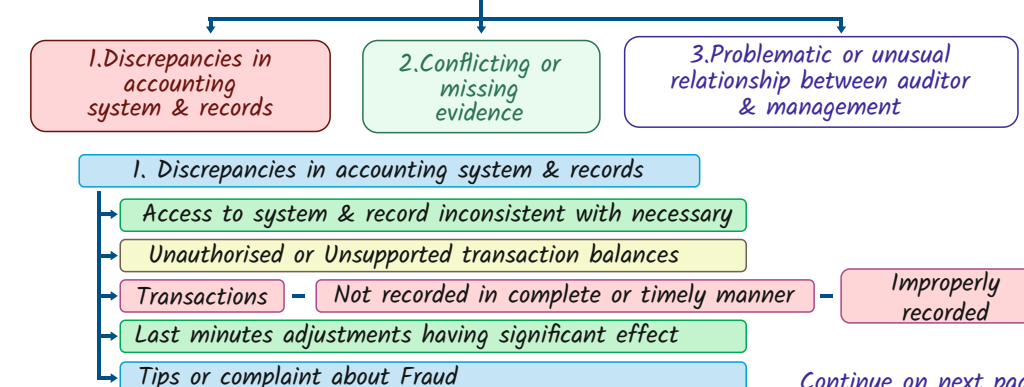
Careless attitude evident from following increasing chances of misappropriation

- Not taking steps to reduce risks of misappropriation
- Overriding existing control over misappropriation
- No rectification of significant deficiency in internal control
- No monitoring of controls over misappropriation
- Tolerance of petty theft

(CNO—SA240.060)

(QNO-240.12,240.13, 240.15) (MCQ-Incs.36.5)

CIRCUMSTANCES THAT INDICATES POSSIBILITY OF FRAUD



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CA Ravi Taori

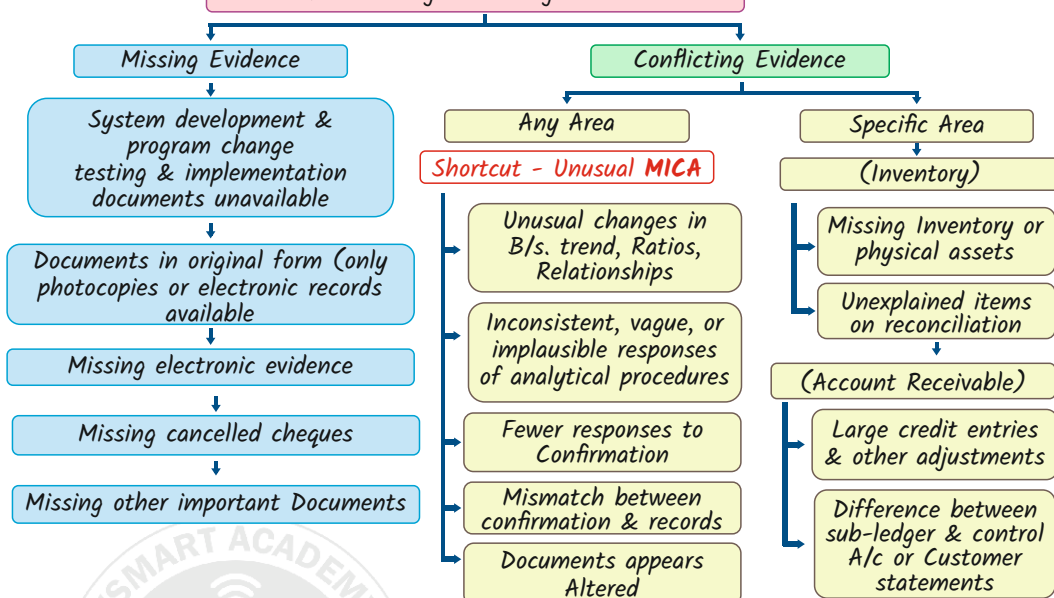


Doubts

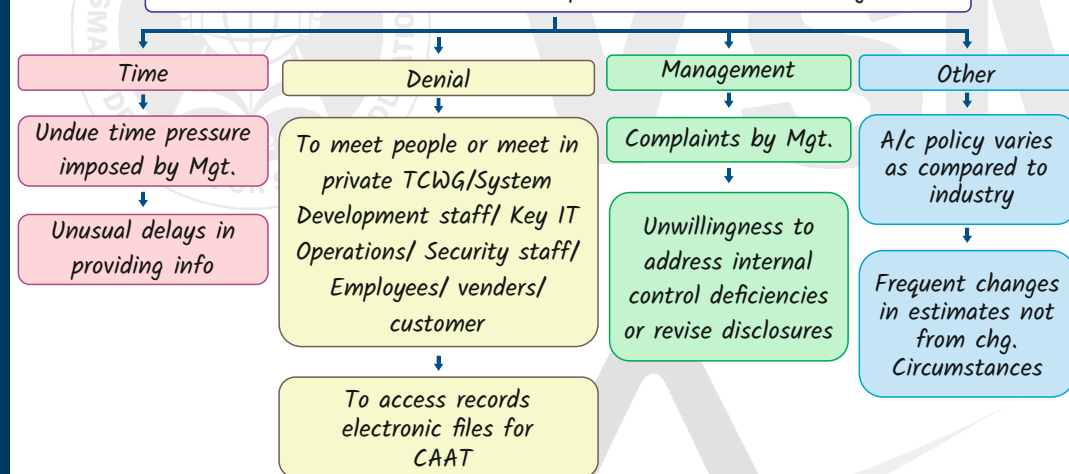


Telegram

2. Conflicting or Missing Evidence

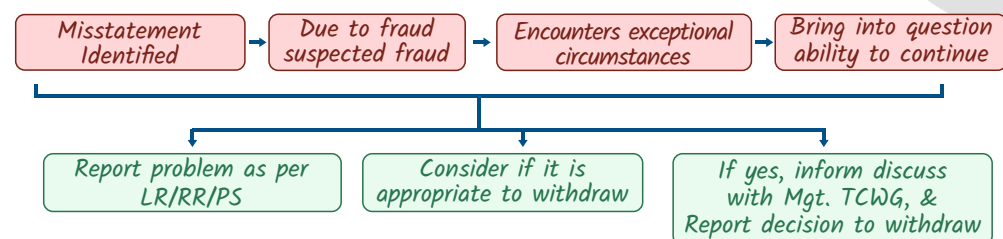


3. Problematic or unusual relationship between auditor & management



(CNO-SA240.120) (QNO-240.21) (MCQ-240.4)

SITUATION AUDITOR UNABLE TO CONTINUE ENGAGEMENT DUE TO FRAUD (ABILITY TO CONTINUE)

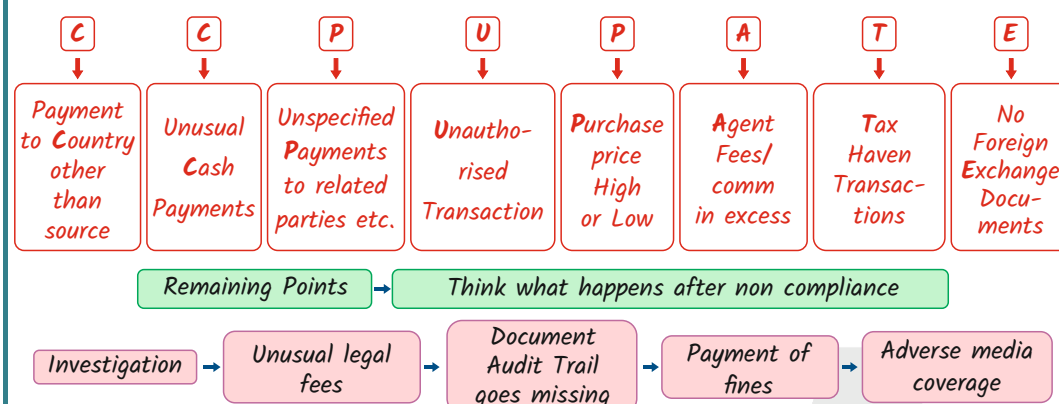


Part - 2 SA 250

(CNO-SA250.020)

(QNO 250.01)

INDICATORS OF NON-COMPLIANCE

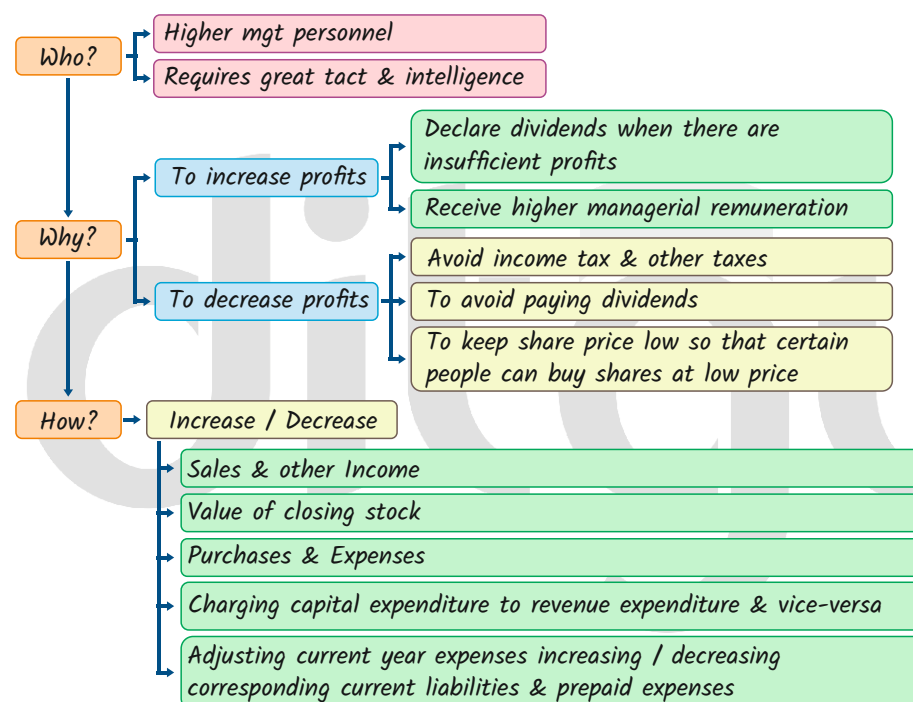
Shortcut- C²-PUPATE

Part - 3 OTHER CONCEPT

(CNO-CSOC.020)

(QNO-240.05)

MANIPULATION OF ACCOUNTS



(CNO-CSOC.040)

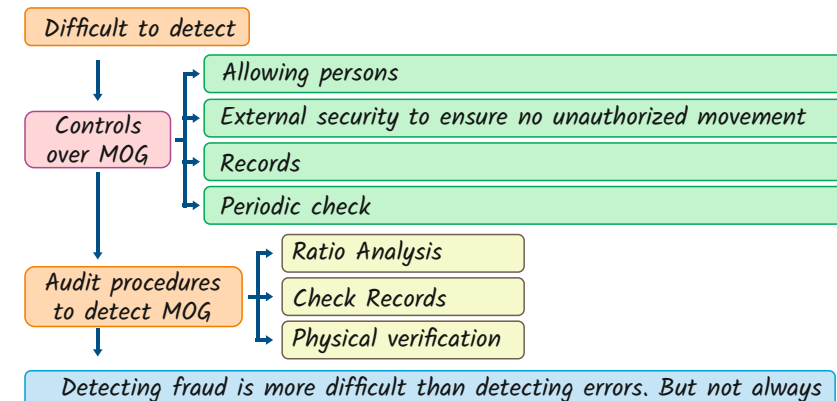
WHY DO MANAGEMENT / EMPLOYEES COMMIT FRAUD

Shortcut- Opportunities Unite DONs

- O** - Financial Obligations/ Pressure.
- U** - Management's Unrealistic goals.
- D** - Dissatisfied Employees or Lack of motivation among employees.
- N** - Name game (E.g., management using power of authority by asking employees to do something illegal).
- O** - Opportunity to commit fraud.

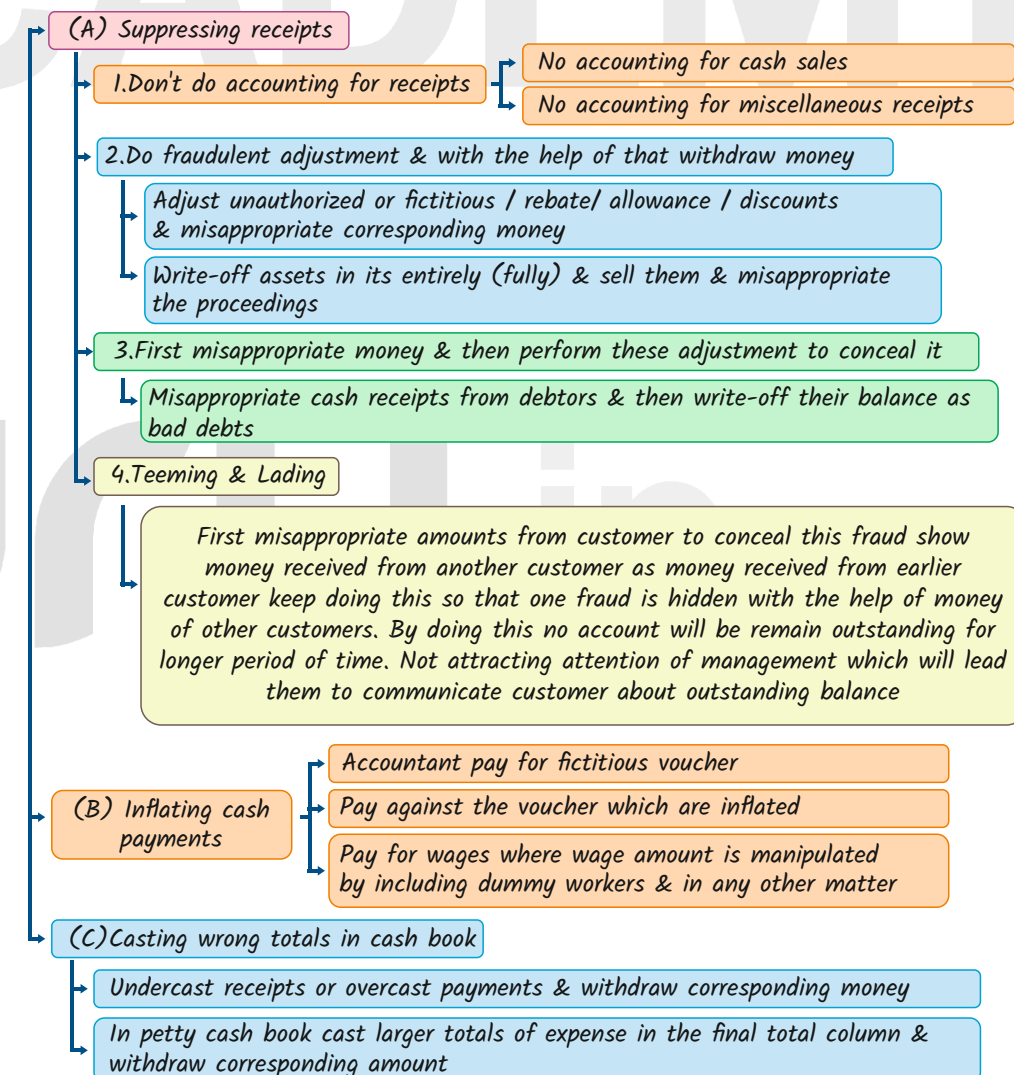
(CNO-CSOC.060)

MISAPPROPRIATION OF GOODS(MOG)



(CNO-CSOC.080) (QNO-240.23/240.25/240.27) (MCQ-240.7, CSOC.1, CSOC.2, Incs.07.2, Incs.36.4, Incs.46.2, Incs.57.2, Incs.33.2)

WAYS OF DEFALCATION OF CASH



HOW TO DETECT DEFALCATION?

Detection of Defalcation → Before auditor perform audit procedures detecting defalcation he should first check important controls with respect to cash transactions.

1. Test of important controls with respect to cash transaction

Proper system should be designed & implemented for cash sales, other cash receipts & disbursement of purchases

There should be segregation of duty in important receipt & payment transaction & further incompatible functions should not be given to same person. For Ex- Custody of cash & its accounting should not be given to same person

There are two popular ways of keeping record of cash receipts with the entity – (1) to make carbon copy for each receipt issued. (2) to make counter foil for each receipt. Then accounting is done on the basis of carbon copy or counter foil.

2A. Verification of cash sales from carbon copy

Auditor should check whether each carbon copy there is corresponding cash receipts entry

If cash sales are voluminous then auditor should ensure that each & every carbon copy is included in cash summary then cash summary is properly total & for that amount there is entry in cash book

2B. Verification of cash receipts from counter foil

Auditor should check that each & every counter foil is properly accounted & there is corresponding entry in cash book

Frauds which can occur in counter foil system

It can happen that amount enter in counter foil is lower than the main receipts & the difference is misappropriated

It can happen that entity received multiple receipts from a person

(for Ex- they may receive Rs. 20,000 four times during a month but cashier may issue only one receipt of 80,000 by doing this cashier will be able to save three blank receipts which can be used later to any person for receipt & corresponding amount can be misappropriated & no one will come to know about it

3. Verification of Dates

It is extremely important for the auditor to check that dates which are given in counter foil or carbon copy on the same date entry is passed in the cash book because if there is a time gap between these dates that means during that time money was used by the cashier for personal purpose & later on it was entry was passed in the cash book & money was brought into the entity.

RESPONSIBILITY OF AUDITOR WITH RESPECT TO FRAUD**Overall responsibility**

Overall responsibility of the auditor is to give opinion on whether financial statements as per applicable financial reporting framework

To fulfill this responsibility auditor has to obtain reasonable assurance about all material items of financial statements whether they are free from material misstatement whether due to fraud or error

Because of inherent limitations of audit there are chances that some material misstatement are left even if audit is properly planned & performed as per standards on auditing

Responsibility while doing audit

Maintain attitude of professional skepticism throughout the audit

While dealing with internal controls always keep in mind that there is potential for management override of controls

While designing audit procedure keep in mind that audit procedure which are effective for detecting error may not be effective for detecting fraud

Responsibility after detecting fraud

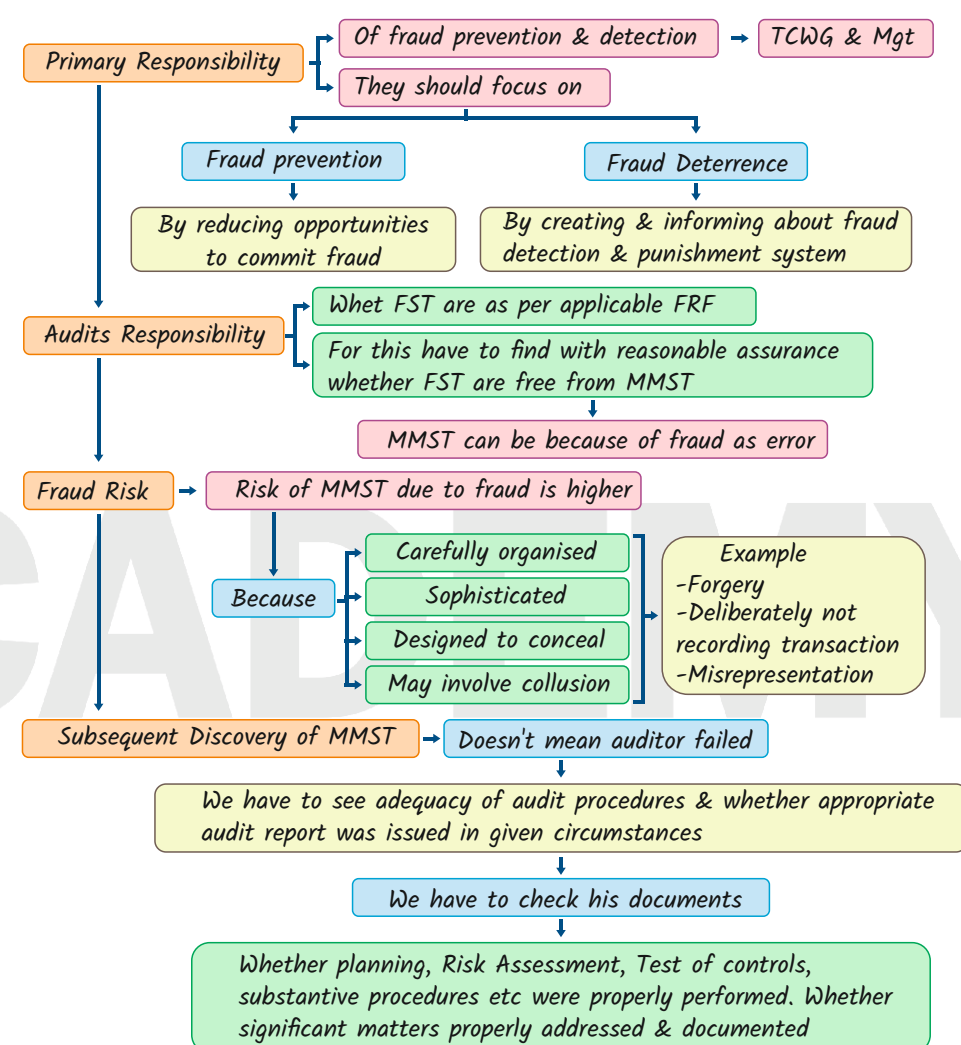
Auditor should ensure that fraud is properly accounted in financial statements & if there is a error then it is corrected

Communicate misstatement to appropriate level of management on timely basis & consider the need to report to TCWG

Auditor should consider implications of frauds & errors & frame his report appropriately

Auditor should also ensure that it is properly disclosed in financial statements. Otherwise he have to modify his opinion

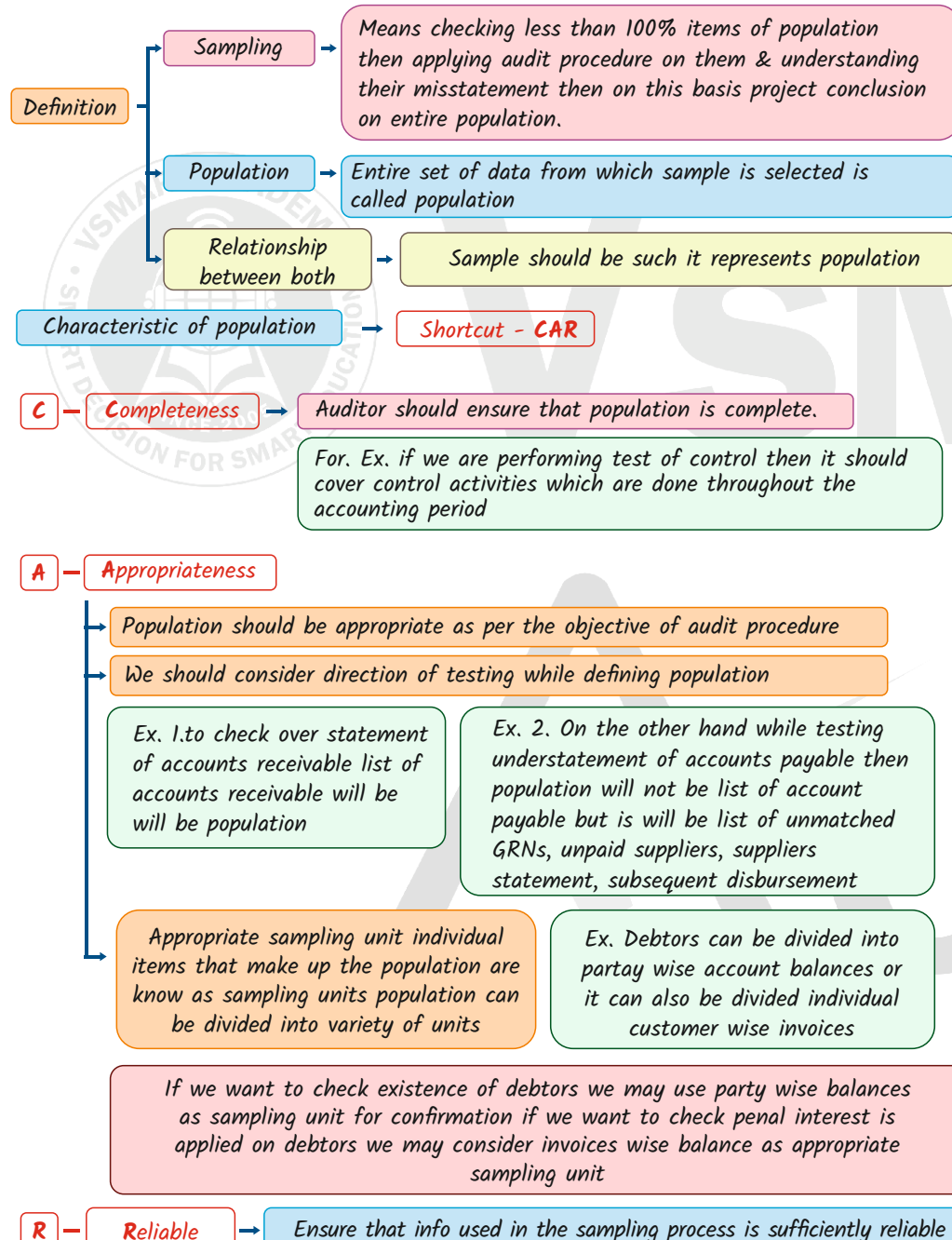
He may obtain legal advice before reporting on complicated matters & before withdrawing from engagement

RESPONSIBILITY OF AUDITOR FOR FRAUD DETECTED AFTER COMPLETION OF AUDIT

(CNO—SAS30.020) (QNO—S30.01) (MCQ—S30.10, Incs.27.1, Incs.38.2, Incs.38.4)

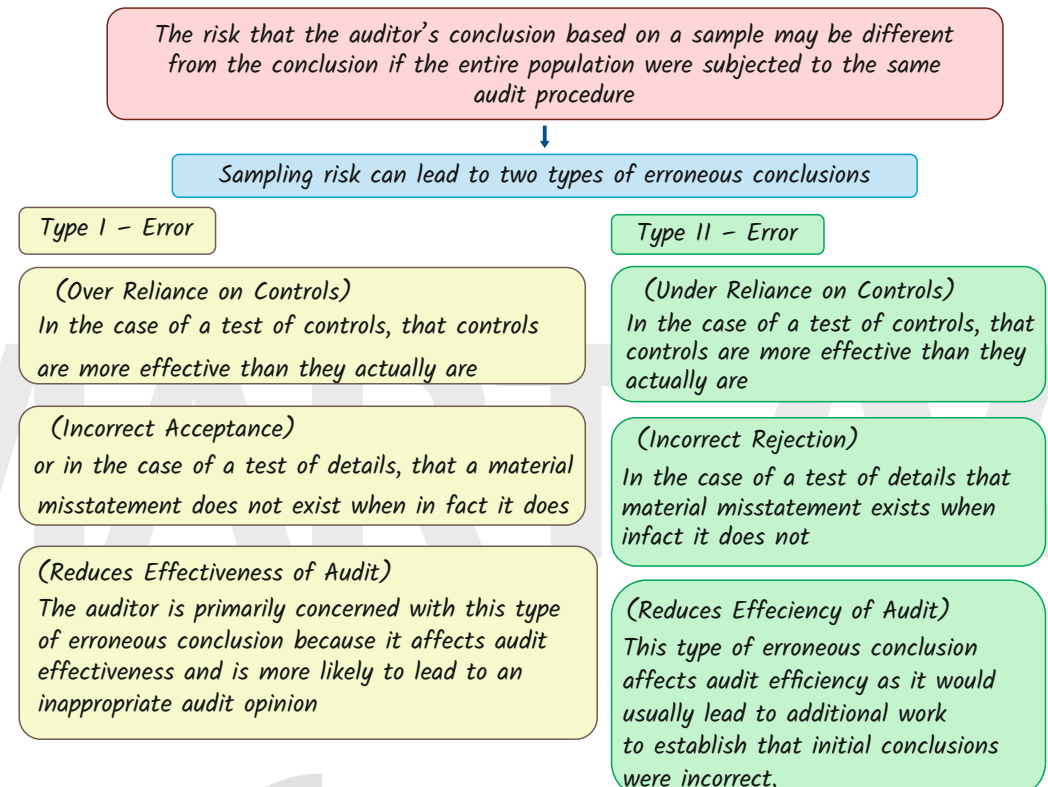
SA 530

SAMPLING & POPULATION



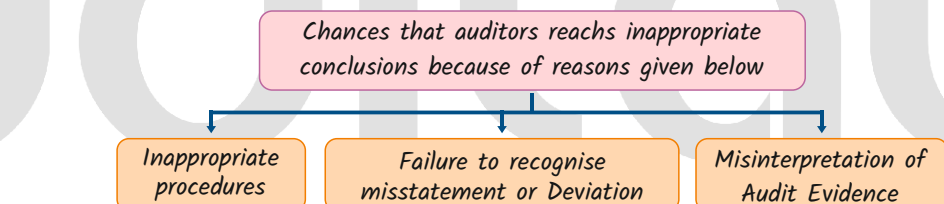
(CNO—SAS30.040) (QNO—S30.01) (MCQ—S30.1, Incs.38.1)

SAMPLING RISK



(CNO—SAS30.040)

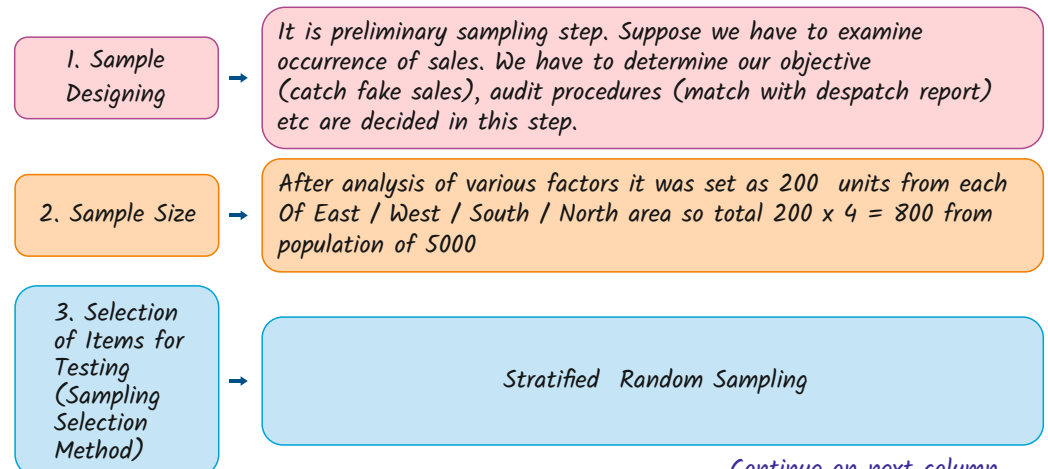
NON-SAMPLING RISK



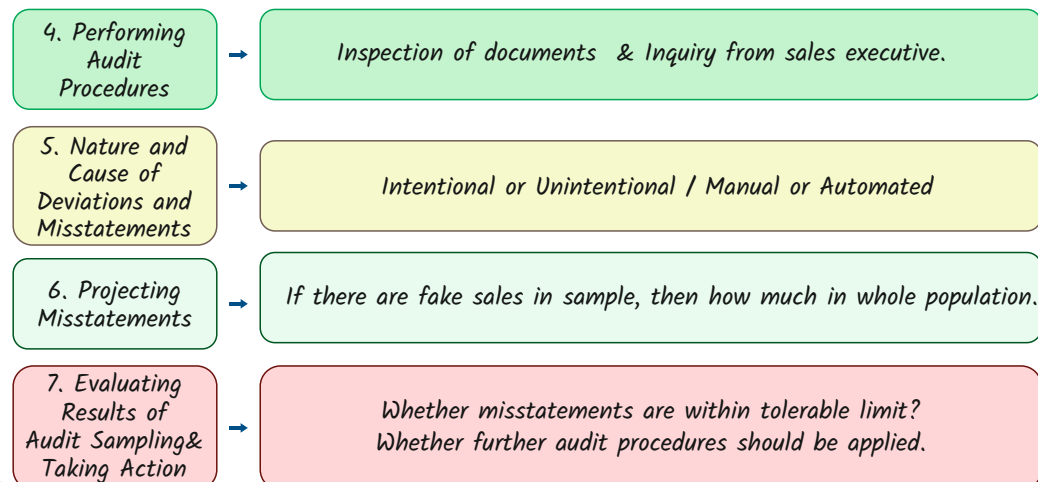
(CNO—SAS30.080)

(MCQ—Incs.16.5)

SAMPLING PROCESS



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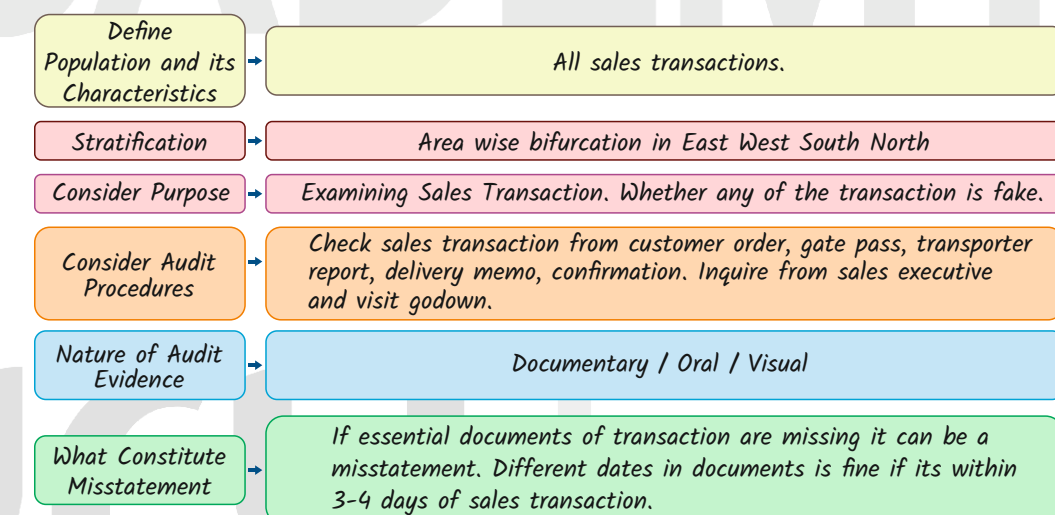


(CNO—SAS30.100)

(QNO—S30.03/S30.04)

STEP 1

SAMPLE DESIGNING



SPECIAL MATTERS IN SAMPLE DESIGNING

WHAT CONSTITUTES MISSTATEMENT OR DEVIATION

First auditor design audit objective then

Which condition will be consider deviation or misstatement with the help of this he will able to decide audit procedure which should be applied on sample items

Such clear understanding will be useful at the end while making projections & evaluating results

Ex. - 1. If there is a mismatch between account receivables balance & confirmation because of non accounting of particular receipt it is not called misstatement (Temporary)

2. If credit sale of one customer is posted to another customer it is not a misstatement at balance sheet level

Above examples are not misstatement by applying a procedure but they may be useful for the assessment of fraud risk & they may have effect on assessment of fraud risk

ROLE OF EXPECTED RATE OF DEVIATION & MISSTATEMENT IN SAMPLING DESIGNING

Before we perform sampling auditor computes expected rate of deviation & expected level of misstatement

Expected rate of deviation / misstatement is determined taking into consideration his previous year experience & present circumstances etc

Expected rate of deviation is determine/ on the basis of understanding of the relevant controls on the other hand expected level of misstatement is determine on the basis of cheking of small number of items from population

These expected are important characteristics of the population

Important sampling decisions are taken on the basis

Test of control

If expected rate of deviation is higher than tolerable level of deviation

Then we should not perform test of controls infact we should perform more substantive procedure in this situation

Test of details

If expected misstatement is higher than tolerable misstatement then we should not perform sampling in test of details instead we can go for 100% checking of the population

STEP 2**SAMPLE SIZE**

Sample size & Sample risk are inversely related

Auditors decide audit risk at planning stage

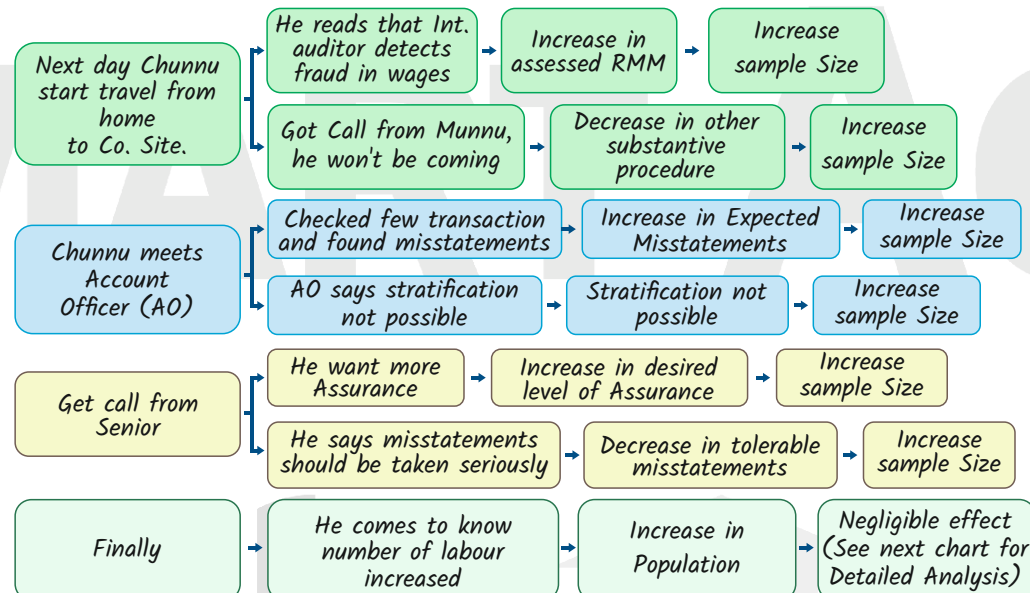
Then determine detection risk & sampling risk

Now Sample size is determined in such manner that audit risk is reduced to acceptable low level (Predecided)

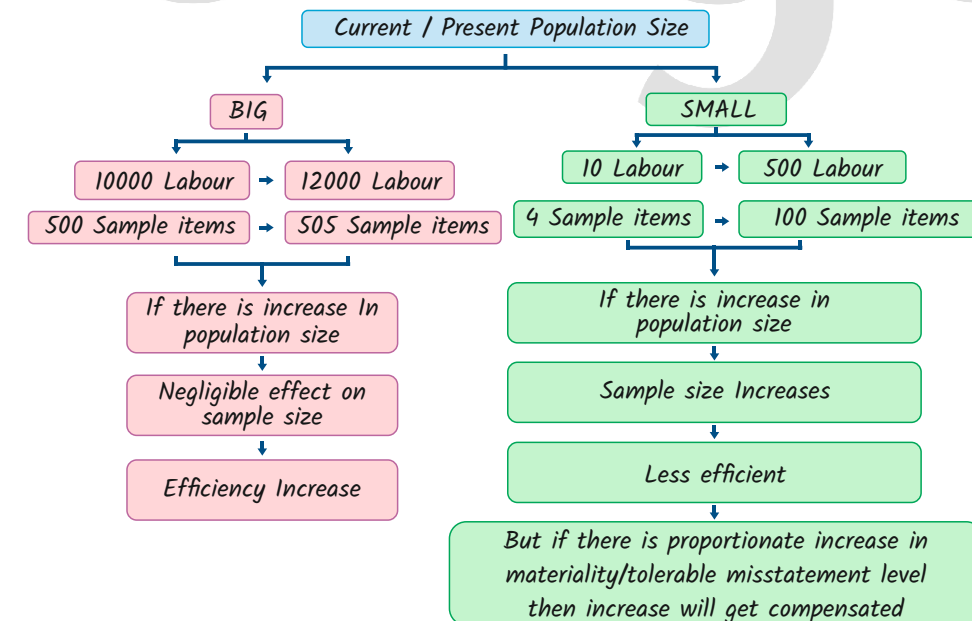
Statistical Formula or Prof. Judgement is used to determine sample size

See following factors affecting sample size

Shortcut to remember the points in the form of Story

CHUNNU, MUNNU ARE ASSIGNED TO AUDIT "WAGES" IN THE CONSTRUCTION COMPANY

Above points are presented from point of sampling in test of detail, similar points applicable for sampling in TOC

EFFECT OF POPULATION SIZE ON SAMPLE SIZE**STEP 3****SELECTION OF ITEMS FOR TESTING**

Approaches to sample selection

2 approaches

Statistical

Non Statistical

Important points

Sample should representative of population

There approaches are not about sample size but the way the items are selected as sample

Statistical Sampling

Definition

If sampling is having two condition

1. Every unit has equal chance of selection (Random Sampling)
2. Use of probability theory to evaluate sampling results

Advantages

Better representative sample

In statistical sampling every unit has equal chance of selection. So unit are selected from every corner of population

Scientific in nature it is based on theory and formula which can be proved over a period of time in statistical sciences & hence more reliable than non statistical sampling

Gives good results in large population. It has been observed that statistical sampling gives good quality results where population is large.

Non statistical sampling

When sample size & its composition is decided on the basis of personal experience & knowledge of the auditor. It is generally in terms of numbers of accounts & numbers of pages to be checked.

Advantages

Popular over a period of time because it simple to apply.

Cut off assertion is checked properly generally auditor tends to check year end transaction more. Hence cut off assertion is properly checked.

Disadvantages

Neither scientific

Non mathematical basis sample is not mathematically designed & there is no mathematical formula to project misstatement & it is difficult to understand whether sample size will be adequate for auditor objective & it is difficult to prove auditor decision.

Nor objective

As auditor is selecting as per his own preferences there are high chances that personal bias will affect item being selected hence it cannot be eliminated

As there is auditor judgment & there will be personal bias hence auditor will not be able to achieve audit objective

Solution to disadvantage auditor should avoid establishing a particular pattern which may be known to employees.

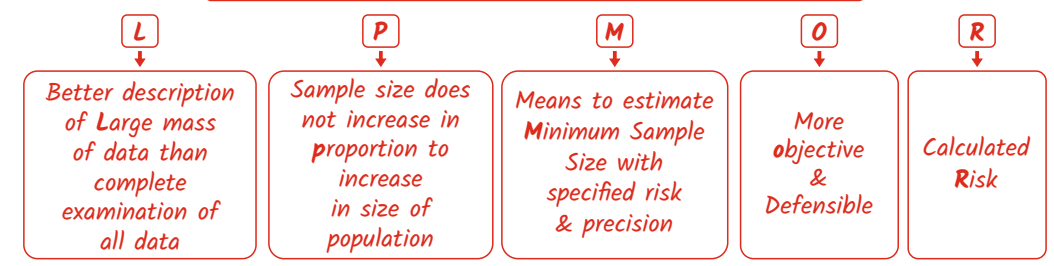
For ex. - If you have selected March, June & Sep p.y. then avoid selecting same month in C.Y.



(CNO—SAS30.160) (QNO—S30.09) (MCQ—S30.4, S30.7)

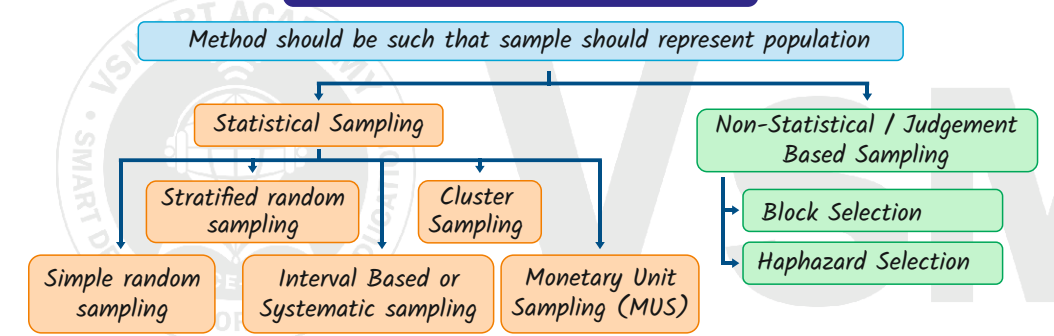
ADVANTAGES OF STATISTICAL SAMPLING

Benefits of Statistical Sampling "Large Powerful & MOR"



(CNO—SAS30.180) (QNO—S30.11) (MCQ—S30.15) (MCQ—Incs.48.4)

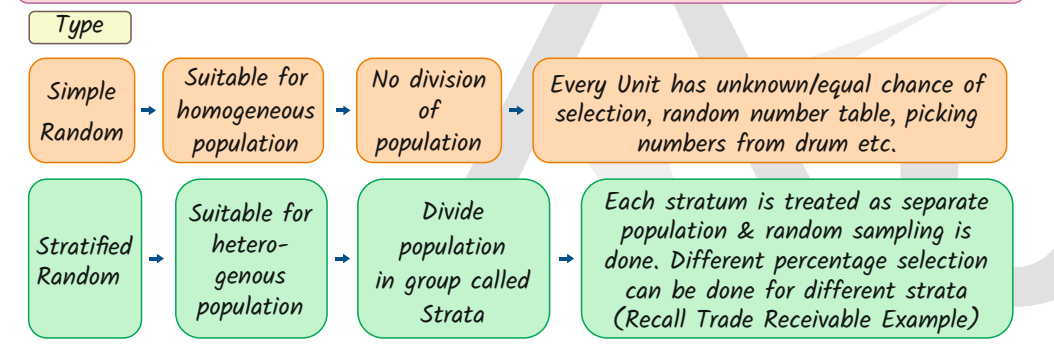
SAMPLE SELECTION METHOD



(CNO—SAS30.180) (QNO—S30.13) (MCQ—S30.2, S30.11, Incs.27.3)

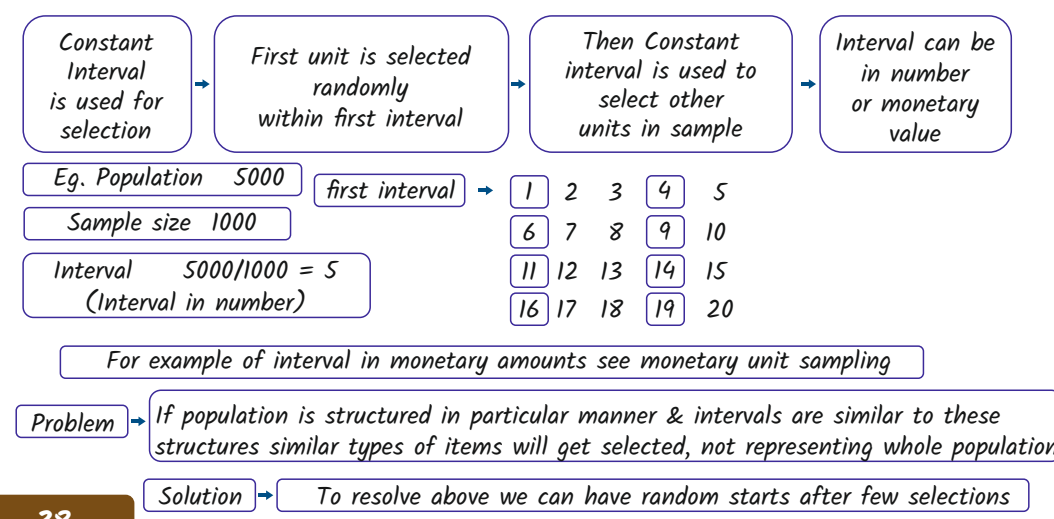
RANDOM SAMPLING

Def :- All items in population or strata have equal chance of selection. Then we may be use random number table, random between excel function or anything like this to select sample.



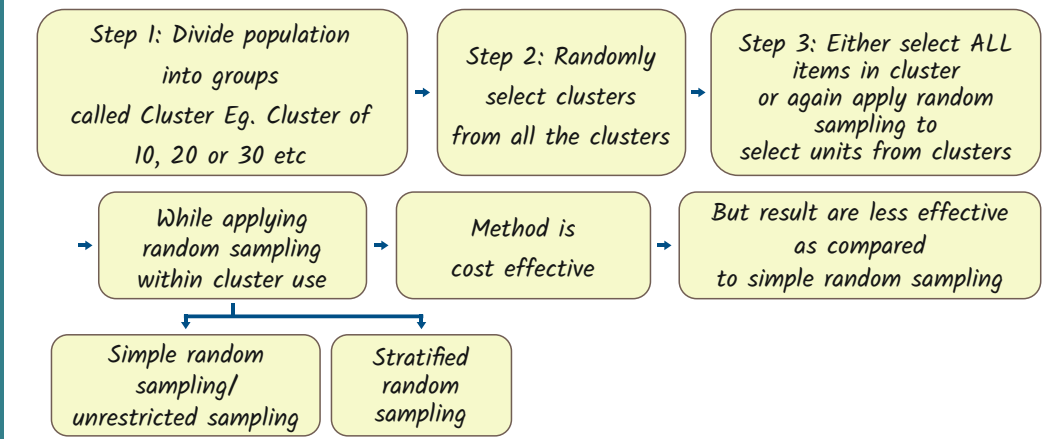
(CNO—SAS30.180)

INTERVAL BASED / SYSTEMATIC SAMPLING



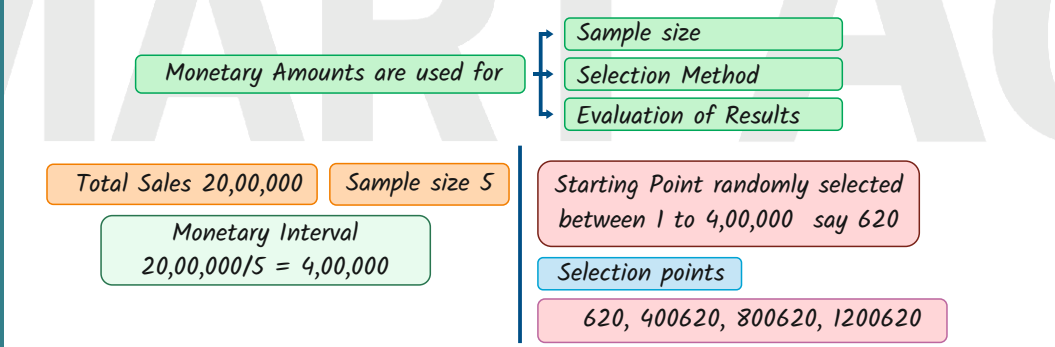
(CNO—SAS30.180) (MCQ—S30.3)

CLUSTER SAMPLING



(CNO—SAS30.180)

MONETARY UNIT SAMPLING / VALUE-WEIGHTED SELECTION

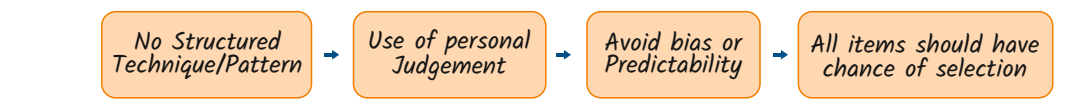


Bill No	Bill Amount	Cumulative total	Base
1	1,00,000	1,00,000	620
2	40,000	1,40,000	
3	20,000	1,60,000	
4	50,000	2,10,000	
5	2,00,000	4,10,000	4,00,620
6	1,60,000	4,70,000	
7	20,000	4,90,000	
8	70,000	5,60,000	
9	60,000	6,20,000	
10	2,50,000	8,70,000	8,00,620
11	45,000	9,15,000	
12	35,000	9,50,000	
13	1,00,000	10,50,000	
14	65,000	11,15,000	
15	1,50,000	12,65,000	12,00,620
16	20,000	12,85,000	
17	40,000	13,25,000	
18	65,000	13,90,000	
19	35,000	14,25,000	
20	95,000	15,20,000	
21	3,50,000	18,70,000	16,00,620
22	40,000	19,10,000	
23	45,000	19,55,000	
24	25,000	19,80,000	
25	20,000	20,00,000	

(CNO—SAS30.180)

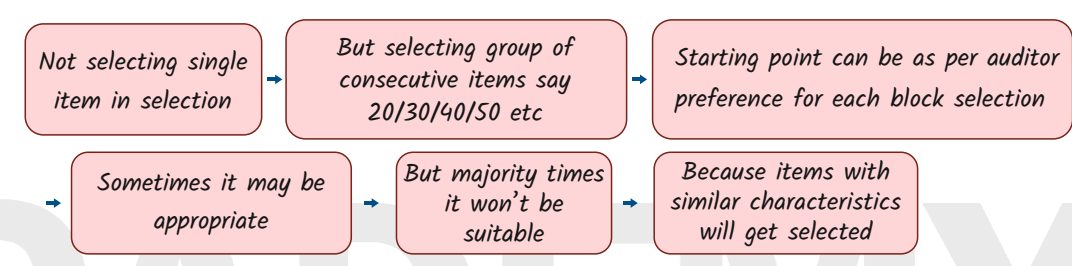
NOT A STATISTICAL TECHNIQUES

HAPHAZARD SELECTION



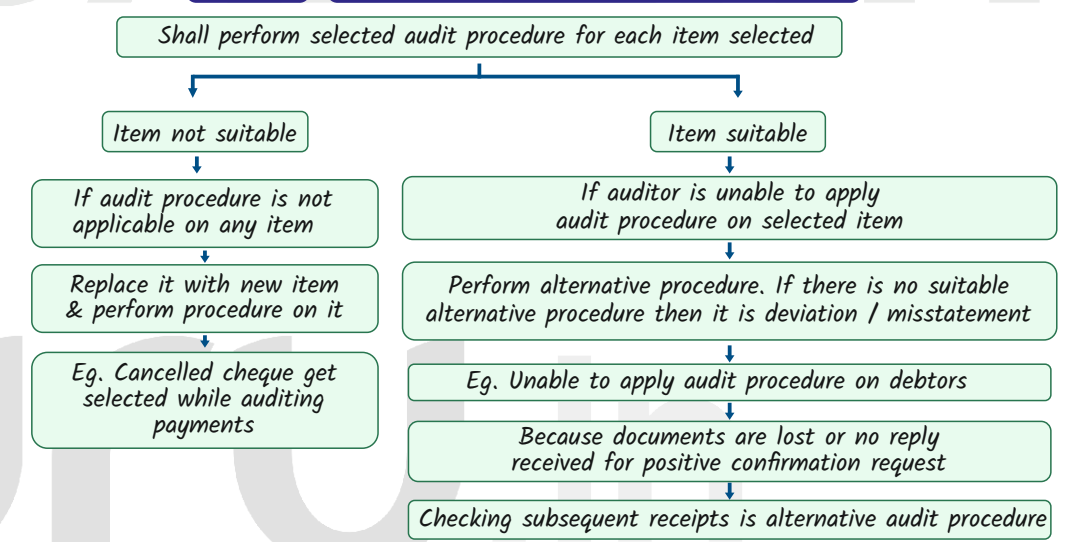
(CNO—SAS30.180) (MCQ—Incs.16.4)

BLOCK SELECTION



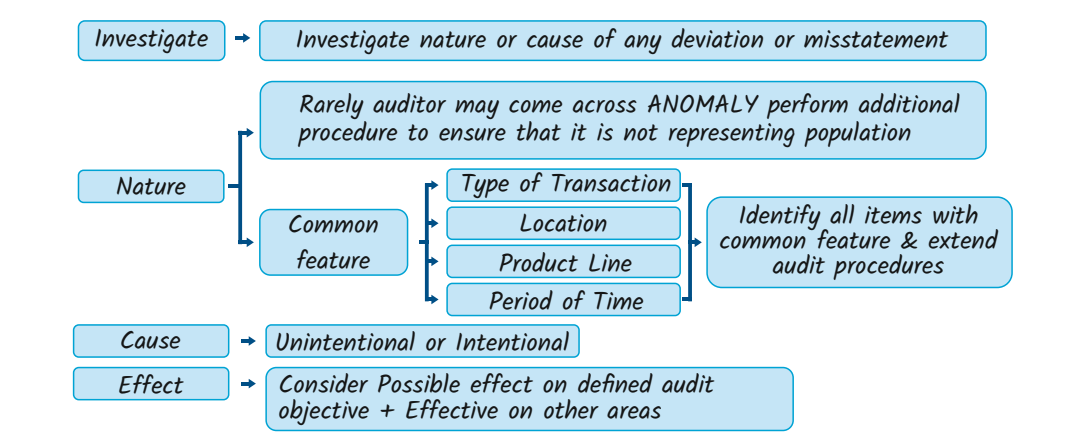
(CNO—SAS30.200)

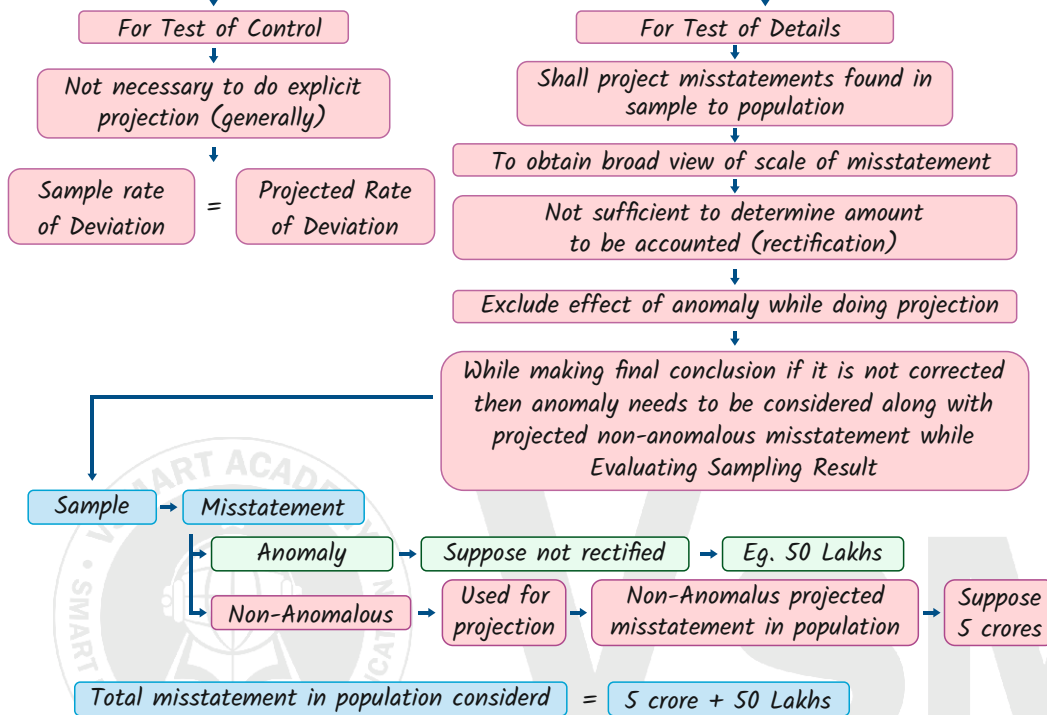
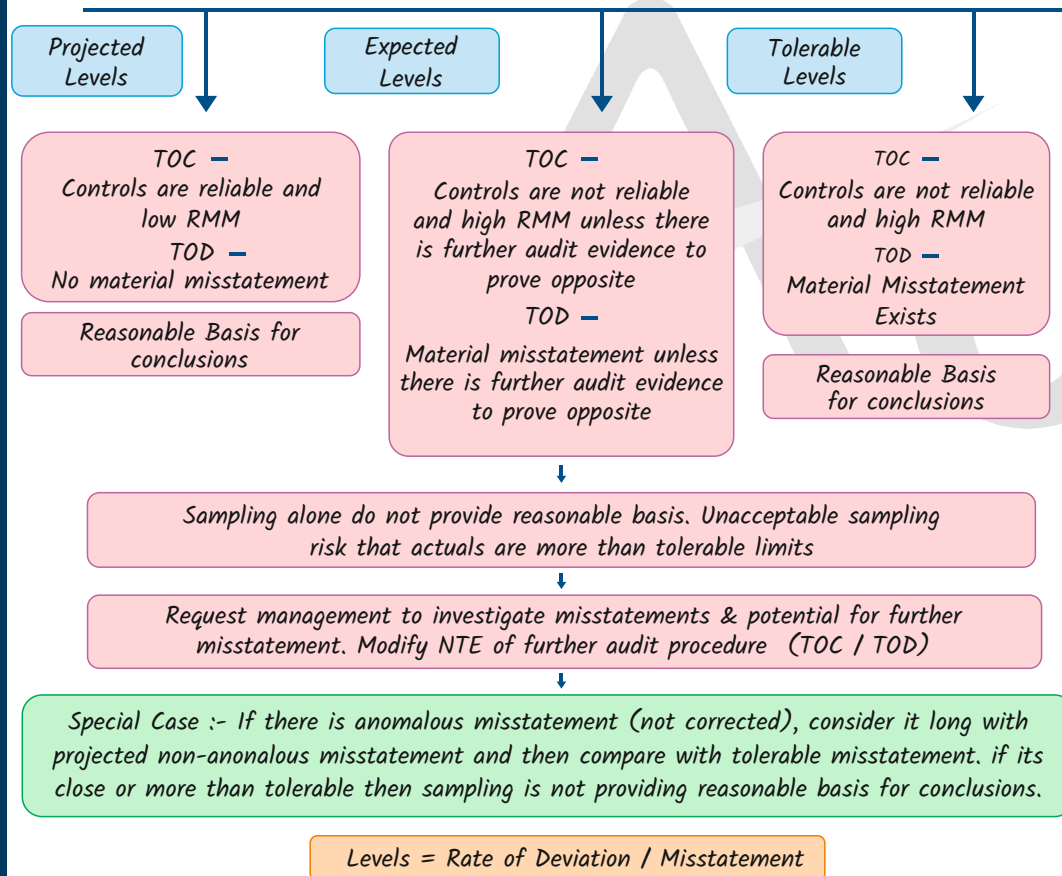
STEP 4 PERFORMING AUDIT PROCEDURES



(CNO—SAS30.220)

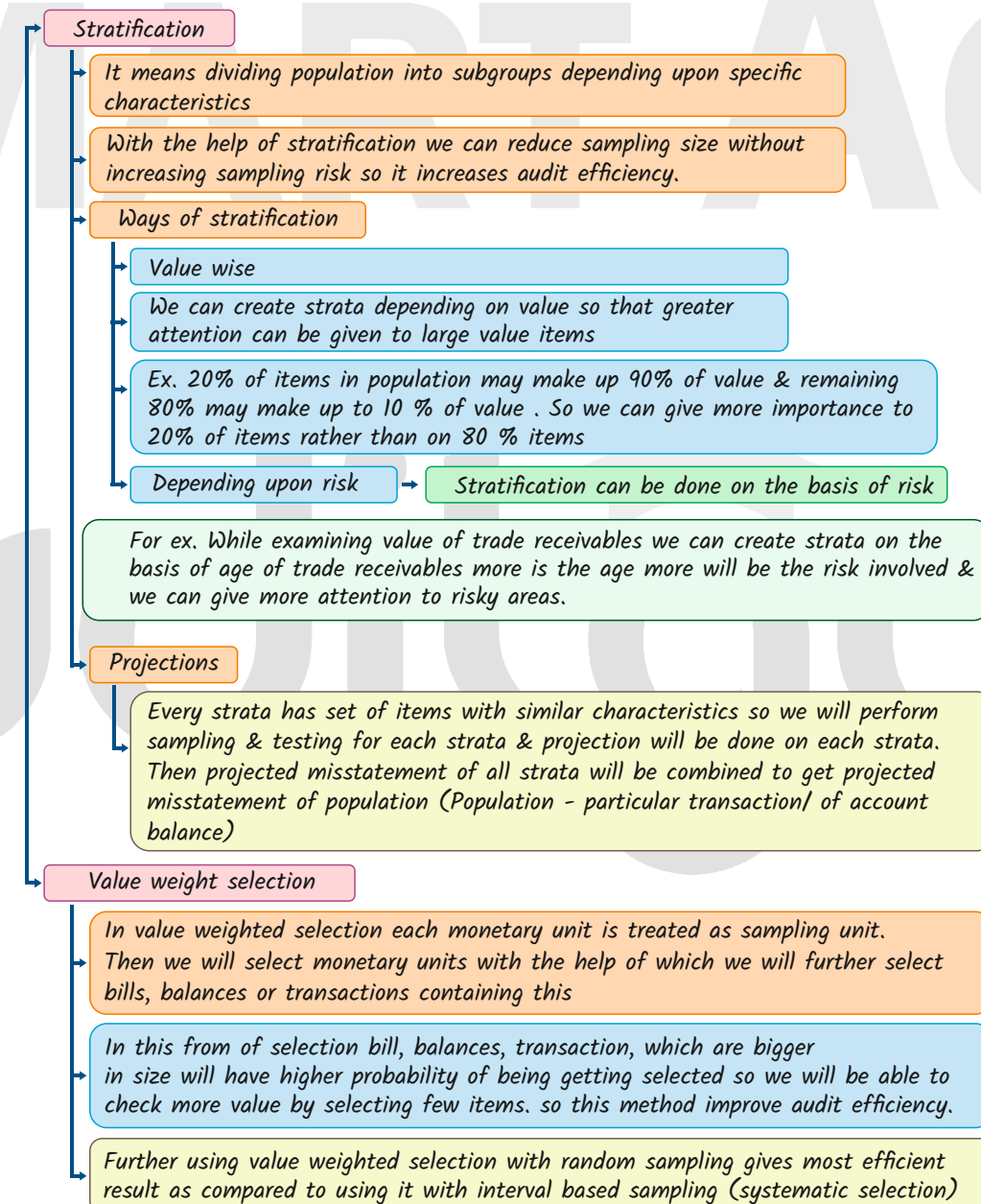
STEP - 5 NATURE & CAUSE OF DEVIATION & MISSTATEMENT (Qualitative Aspect)



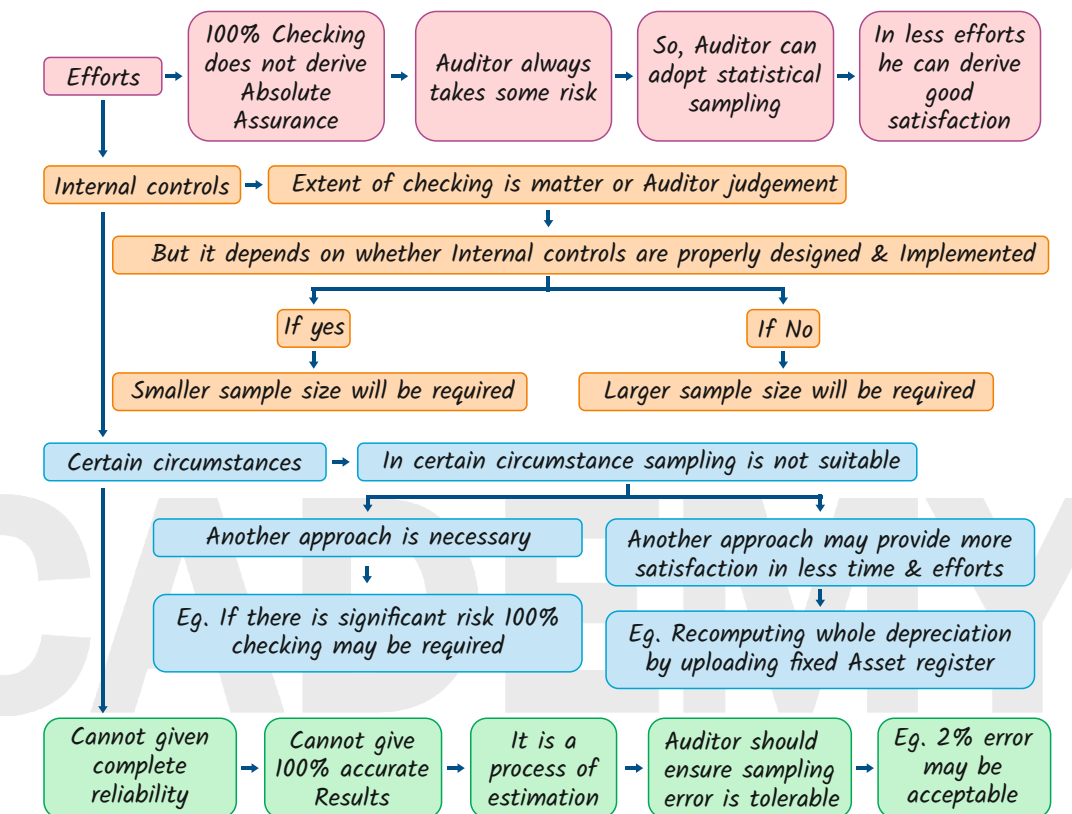
STEP 6 PROJECTING DEVIATION/MISSTATEMENT**STEP 7 EVALUATION OF SAMPLING RESULTS****EXTENT OF CHECKING ON SAMPLING PLAN**

Shortcut - C-SITA factors

- S** - Size of the organisation under audit. (Big)
- I** - State of the Internal control. (Strong)
- A** - Adequacy and reliability of books and records. (Accurate & Reliable)
- T** - Tolerable error range. (High)
- C** - Degree of the desired confidence. (Low) (Then higher reliance on sampling)

CONCEPT OF STRATIFICATION & VALUE WEIGHTED SELECTION**EFFECT OF SAMPLING ON AUDIT**

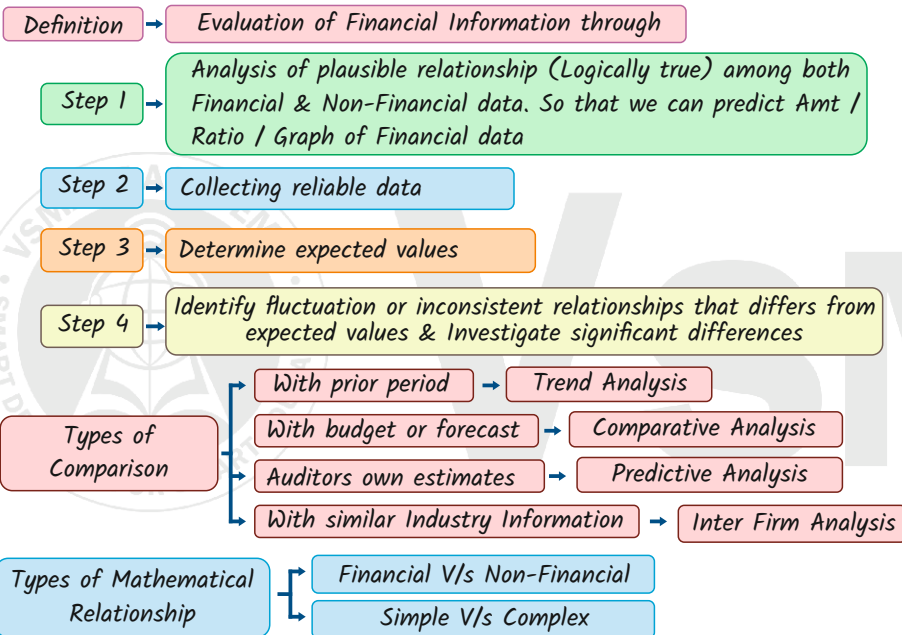
Shortcut - Efforts of ICC



(CNO—SAS20.020) (QNO—S20.01) (MCQ—S20.5, S20.6, S20.9, S20.10, S20.11, S20.13, S20.18)

SA 520

ANALYTICAL PROCEDURES



(CNO—SAS20.040) (QNO—S20.03, S20.13, S20.17) (MCQ—S20.12, Incs.15.2)

TECHNIQUES AVAILABLE AS SUBSTANTIVE ANALYTICAL PROCEDURES

Analytical procedures can be used at various places when they are used to substantiate at financial data it is called substantive analytical procedures

Application of analytical procedures depends majorly on three factors → **Shortcut - CDE**

- C** - Creativity of audit team
- D** - Reliable Data available for analytical procedures
- E** - Experience of audit team

Different forms of analytical procedures

Shortcut - STAR

- S - Structural modeling** → In this technique we use knowledge of statistics. We plot data of two variables on the graph & from that plotting we get line of regression & we get equation which can be used for computing expected values.
- T - Trend Analysis** → In this analysis we compare CY financial data with PY or 2 or more PY balances. We check whether it is as per the past trend increasing, decreasing or remaining stable
- A - Ratio Analysis** → In ratio analysis we compute between two or more financial item & this ratio is compared with previous year or with others which will be useful for obtaining assurance. Ratio can be compared with PY or similar entity in same industry financial ratios include debtor turnover ratio, inventory turnover ratio, freight expense to sales ratio.

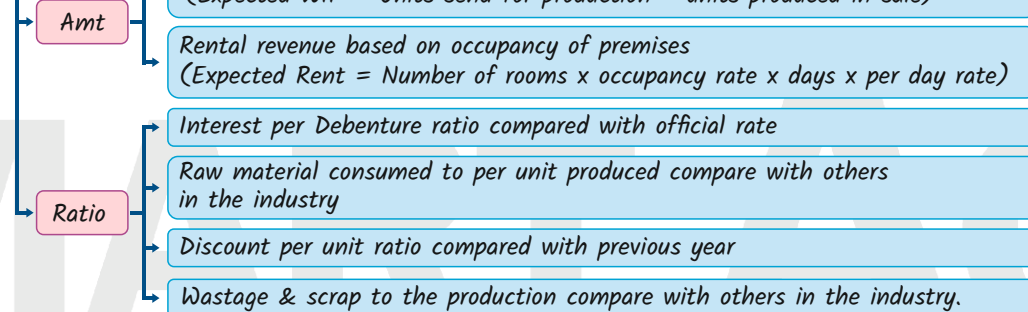
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R - Reasonableness Test

When we compute expected value on the basis of non financial data of CY & compare it with actual data or ratio is called reasonableness test. These test are generally perform for P&L items.

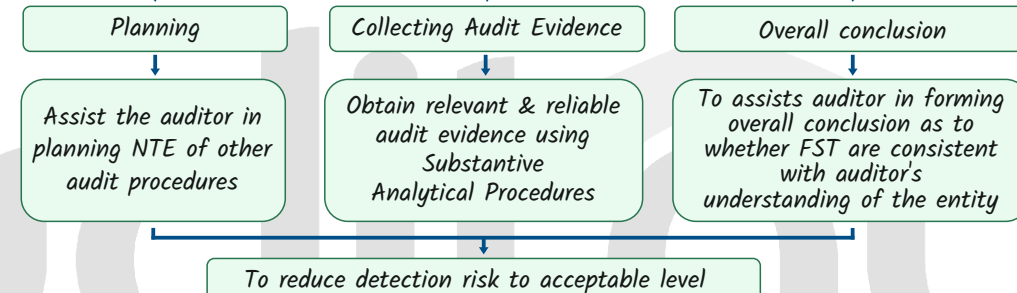
Examples of reasonableness test

Computing expected values



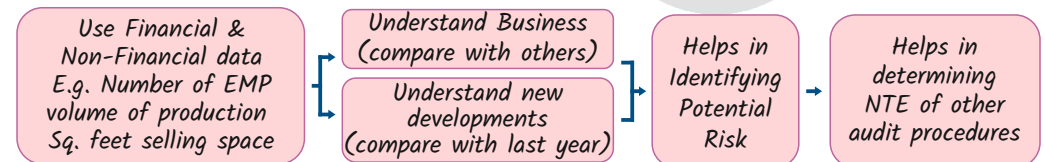
(CNO—SAS20.060) (MCQ—S20.14, Incs.15.1)

APPLICATION/PURPOSE OF ANALYTICAL PROCEDURES



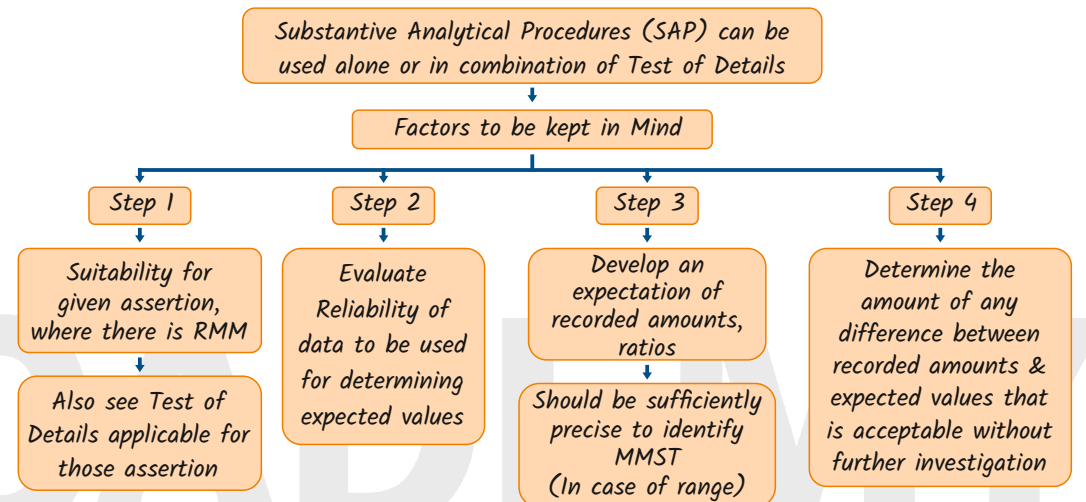
(CNO—SAS20.080) (QNO S20.03.50) (MCQ—S20.1)

ANALYTICAL PROCEDURES IN PLANNING AUDIT



(CNO—SAS20.100) (QNO—S20.04)

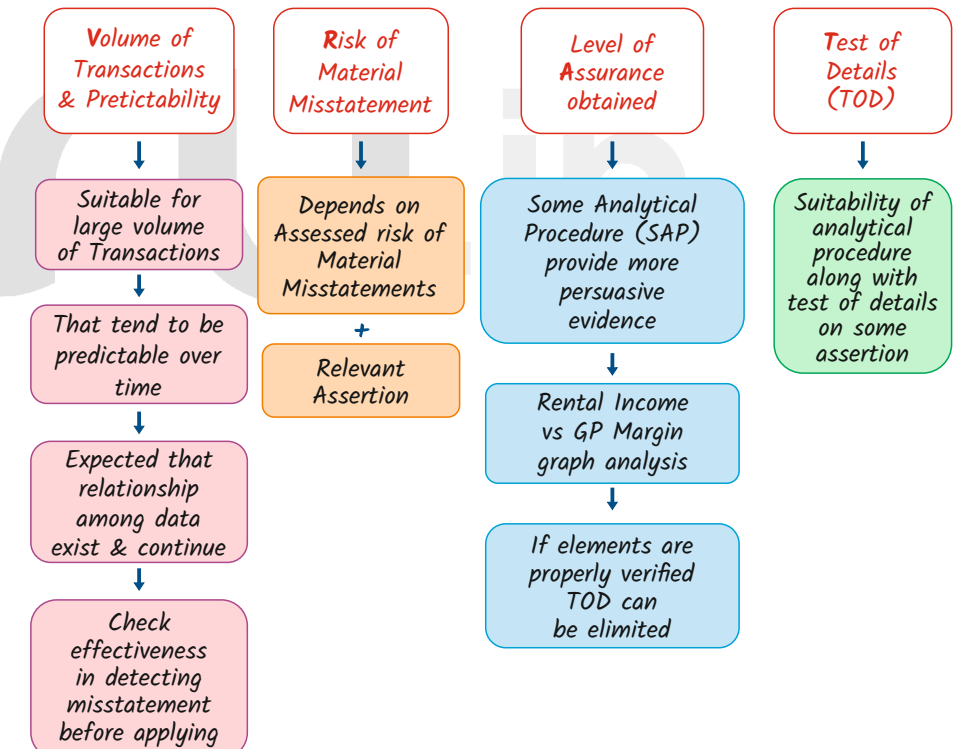
ANALYTICAL PROCEDURES USED AS SUBSTANTIVE TESTS



(CNO—SAS20.120) (QNO—S20.05) (MCQ—S20.15, S20.4, S20.8)

FACTORS AFFECTING SUITABILITY

Shortcut V-RAT is suitable for all formats



CA Vishal Bhattad's
VSMART ACADEMY
Auditguru.in

CA Ravi Taori



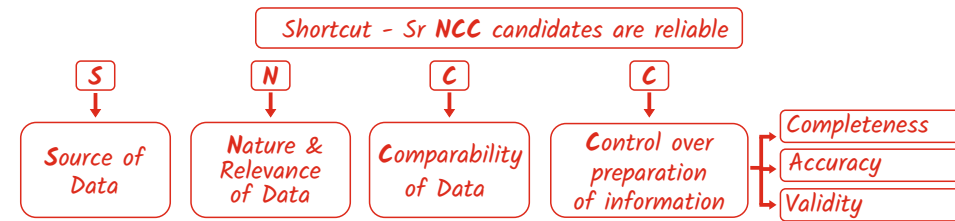
Doubts



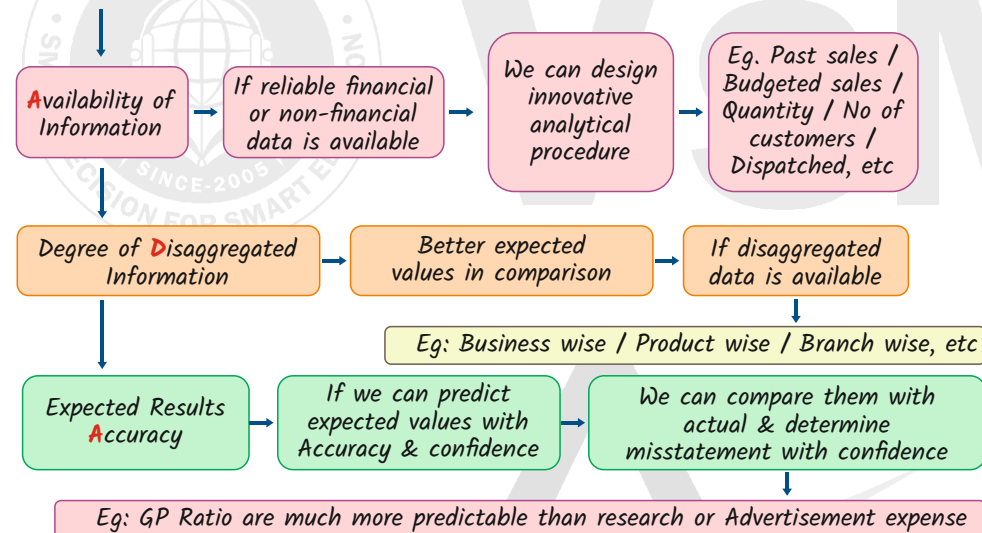
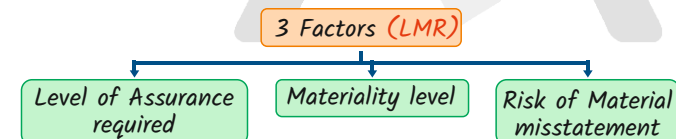
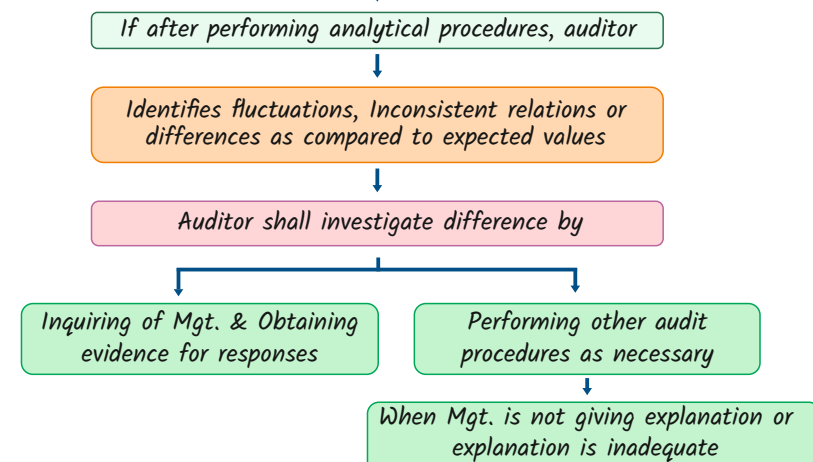
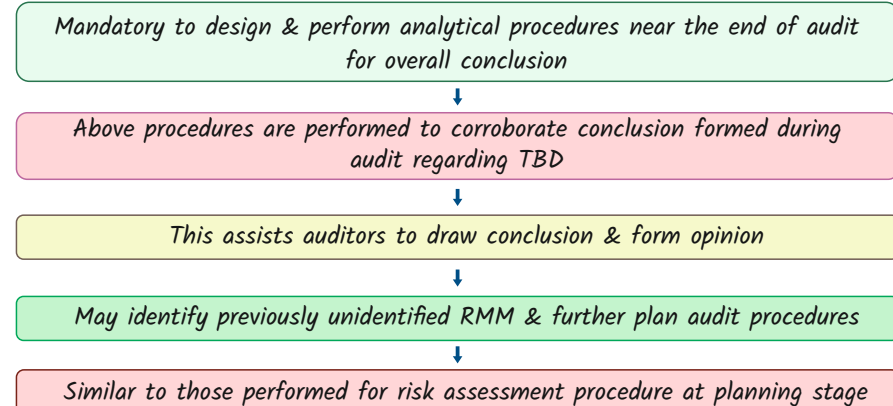
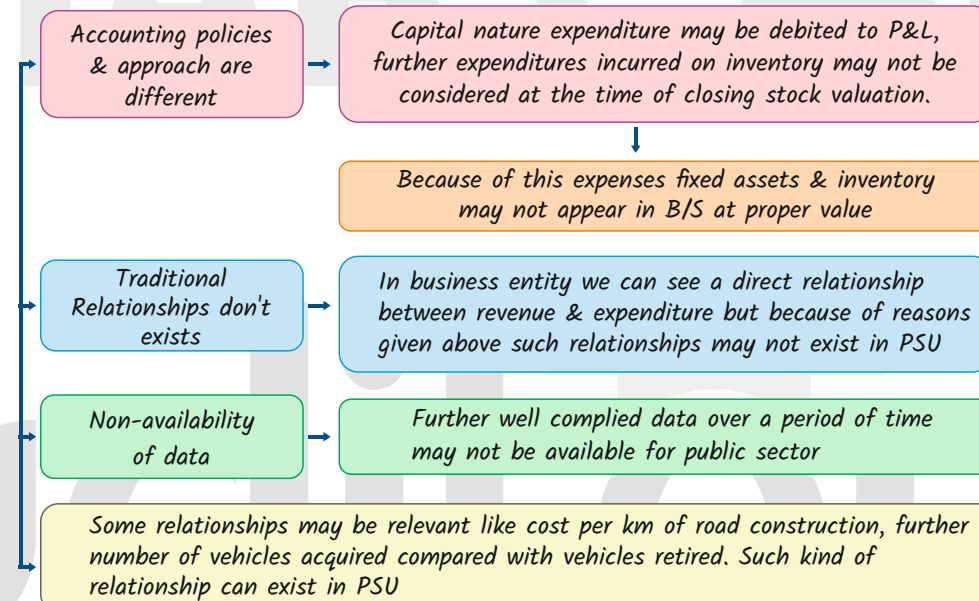
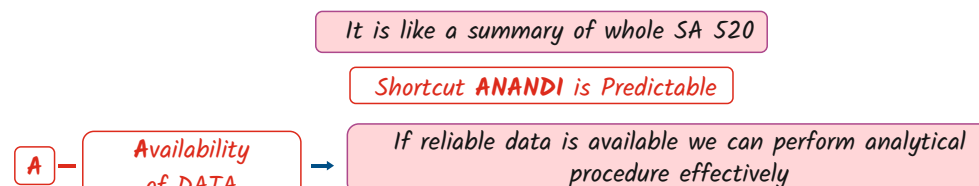
Telegram

FACTORS AFFECTING RELIABILITY OF DATA / EXTENT OF RELIANCE ON SAP

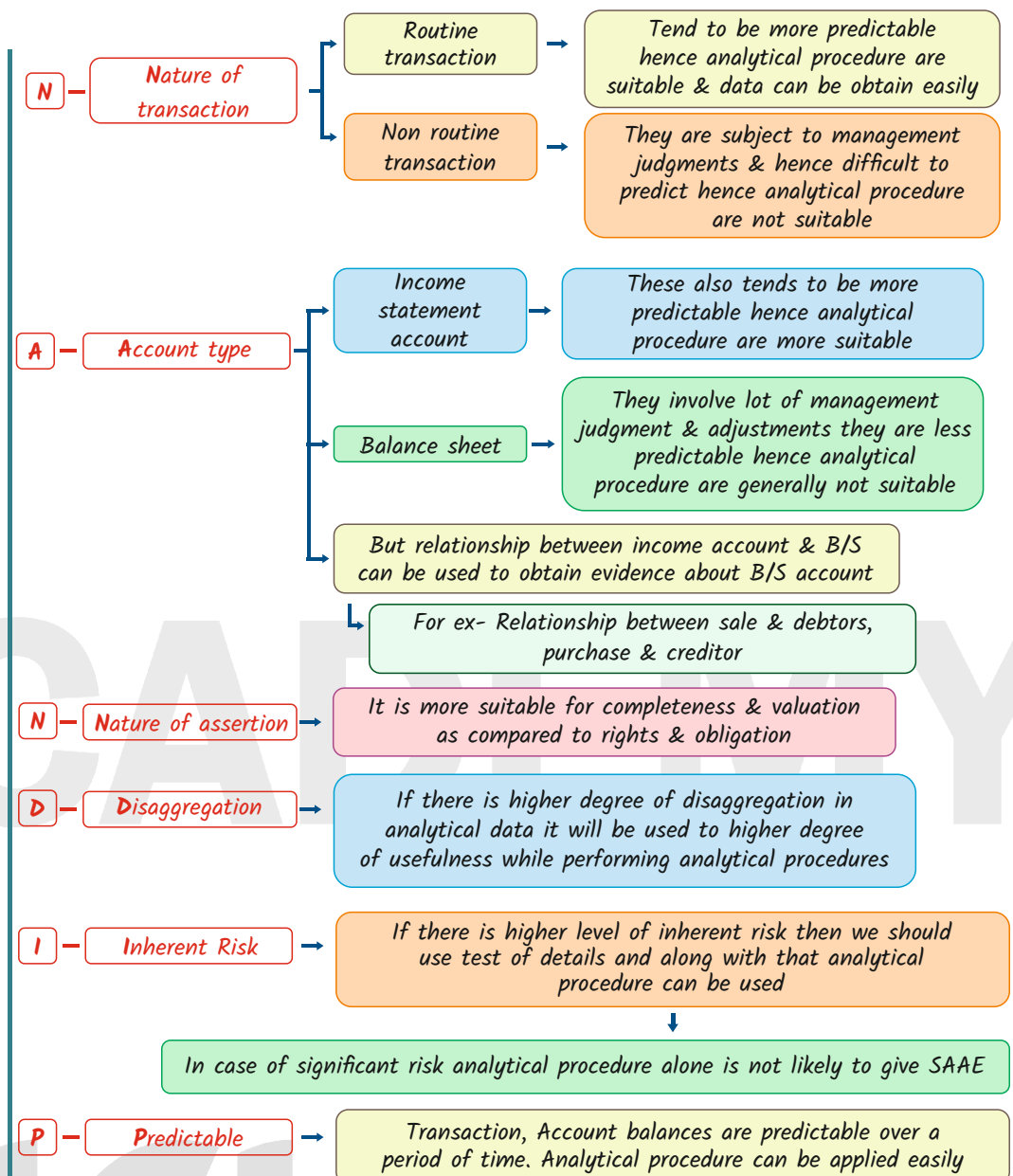
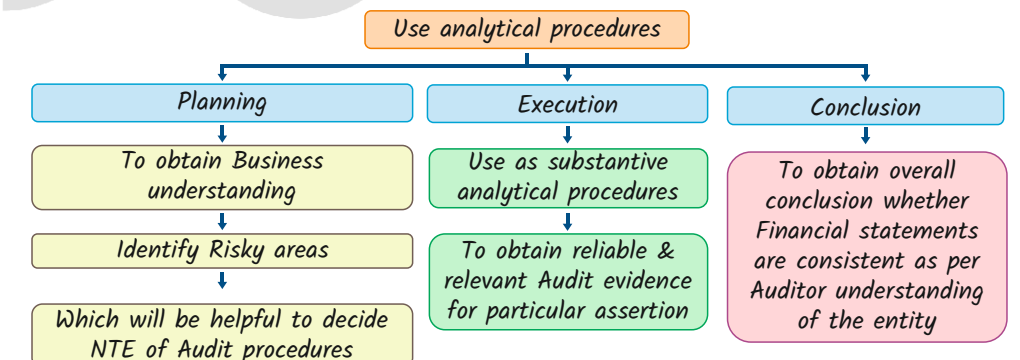
Following are the criteria's that should be considered while deciding reliability of data

**FACTORS AFFECTING DEVELOPING EXPECTATION**

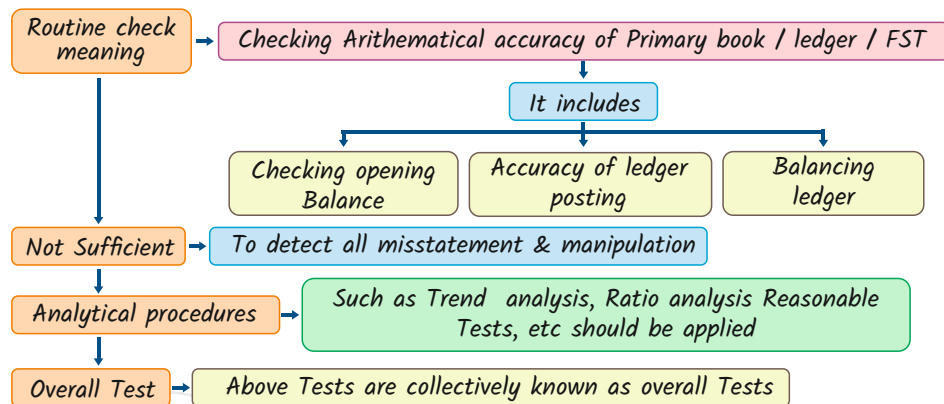
Below factor will affect whether we can develop precise expectation & compare them with actual to get misstatement (ADA)

**DETERMINE WHETHER DIFFERENCE IS ACCEPTABLE****INVESTIGATING RESULTS OF ANALYTICAL PROCEDURES****ANALYTICAL PROCEDURES THAT ASSIST WHEN FORMING OVERALL CONCLUSION****ANALYTICAL PROCEDURE IN PUBLIC SECTOR UNDERTAKING (PSU)****FACTORS TO BE CONSIDERED FOR SUBSTANTIVE ANALYTICAL PROCEDURE**

Continue on next column...

**OBJECTIVE AS PER SAS20**

ROUTINE CHECK CANNOT IDENTIFY ALL MISSTATEMENTS



09

AUDIT OF ITEMS OF FINANCIAL STATEMENTS

Part I – AIFS LIABILITY

(CNO.AIFS-PI.020)

AUDIT OF SHARE CAPITAL

(How to check existence, completeness and valuation, rights and obligation related to share capital)

- Tally / Compare, current year closing balances with previous year audited FST w.r.t. to authorized issue and paid up capital
- If there is no change, obtain WR from company secretary
- If there is a change :-

(1) Resolutions → Obtained certified copy of resolutions passed in BOD, SH meetings w.r.t. to inc/dec.

Check compliance of Companies Act no issue at discount (minimum application money, minimum subscription, separate bank a/c, return of allotment, underwriting commission)

Compliance with SEBI regulations and guidelines for listed Co.

(2) Authorized Share Capital

It should be checked with MOA and MCA website

Is it enough to accommodate paid up share capital If not, it should be increased and company is suppose to pay stamp duty and fees for it

(3) Forms

SH. 7 – for increase in authorized share capital

PAS 3 – for increase in paid up share capital

FCGPR (Foreign Currency Gross Provisional Return) for FDI

(4) Special Points

Check whether issue of share is for cash or consideration other than cash. (e.g. for promoters, underwriters etc.)

(CNO--AIFS-PI.040)

(QNO-AIFS.13) (MCQ- AIFS.22, Incs.21.1, 21.2, 21.3, 21.4, 21.5)

ISSUE OF SHARES AT PREMIUM

Excess of issue price over nominal value is called premium

(1) Requirements of Section 52

There is no restrictions or condition to issue share at premium

Premium amount should be credited to securities premium account

This balance can be used for limited purpose as prescribed

To written off preliminary expenses

To written off commission or discount on issue of share or debentures

To issue fully paid up bonus shares

For premium payable on redemption of redeemable preference shares or debentures

To purchase of own shares or buyback

If there is reduction of security premium apart from as specified above it will be treated as reduction of share capital

(2) Verification by auditor

Whether balances are properly transferred to securities premium account

Is it applied as per requirement of Sec 52

(CNO--AIFS-PI.040)

(QNO-AIFS.II)

ISSUE OF SHARE AT DISCOUNT (SECTION 53)

Prohibition → Company cannot issue share at discount

What if contravention

Issue will be consider as void

Penalty equal to amount raised or 5 lakhs whichever is lower

Refund of money @ 12% p.a. from the date of issue

Exception (Shares can be issued at discount)

Under section 54 w.r.t. issue of sweat equity shares

Issue of shares to creditors, provided it is as per :-

Statutory Resolution Plan

Debt restructuring

As per guidelines and directions of RBI

Audit Procedures

Check whether issue of shares is at discount, if yes whether sec 53 is complied



CA Vishal Bhattad's
VSMART ACADEMY
Auditguru.in

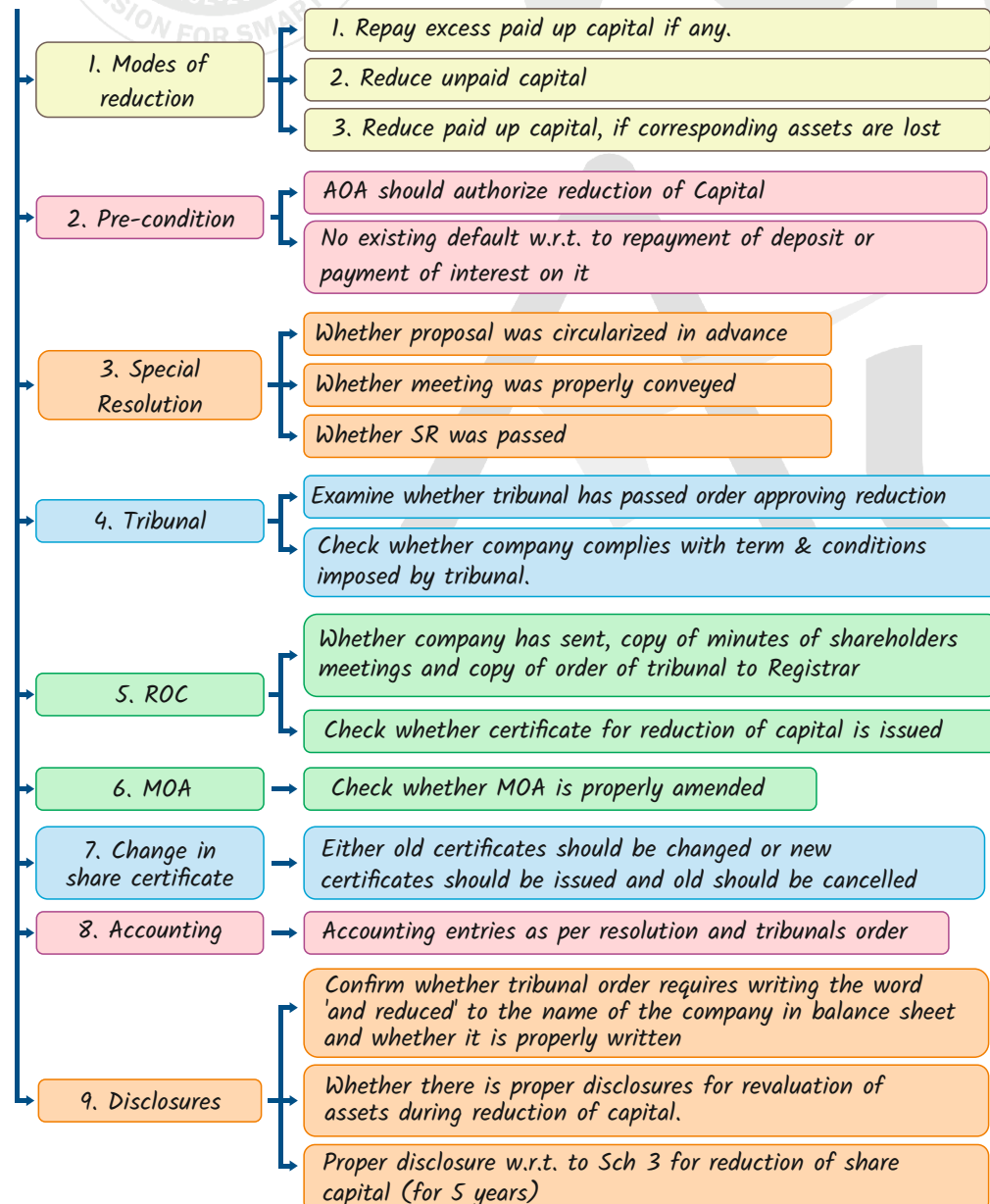
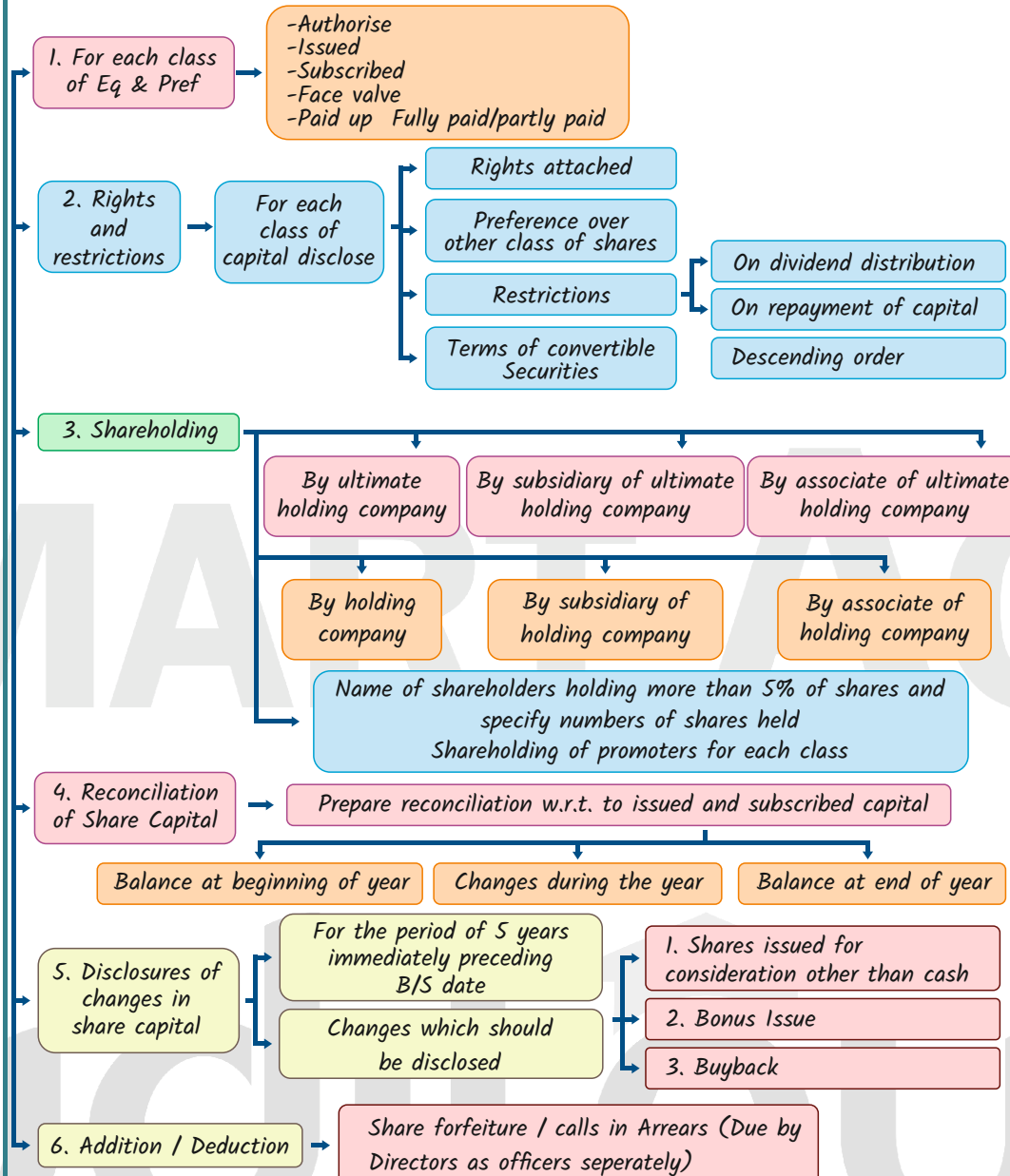
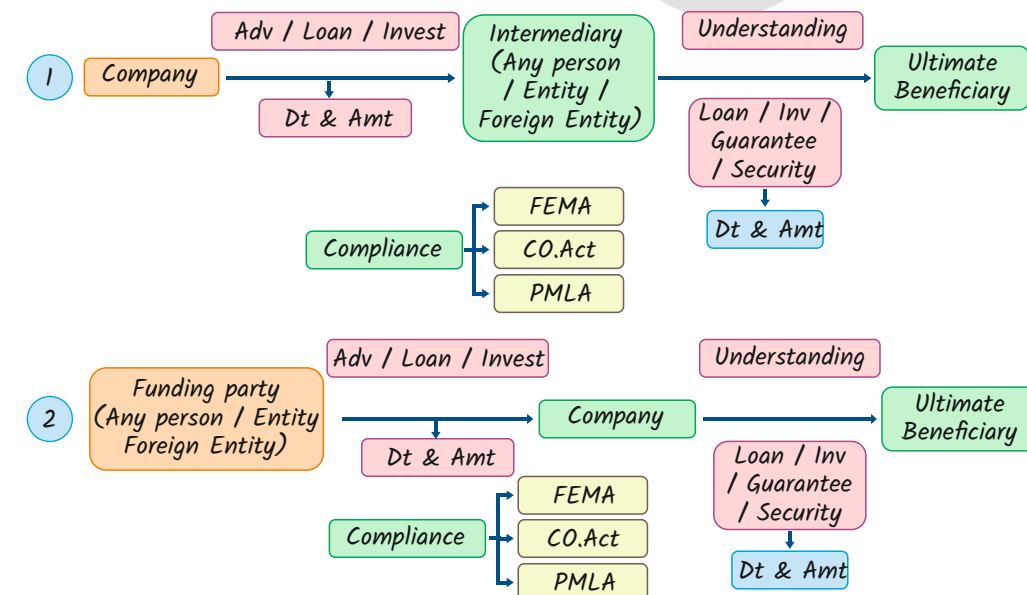
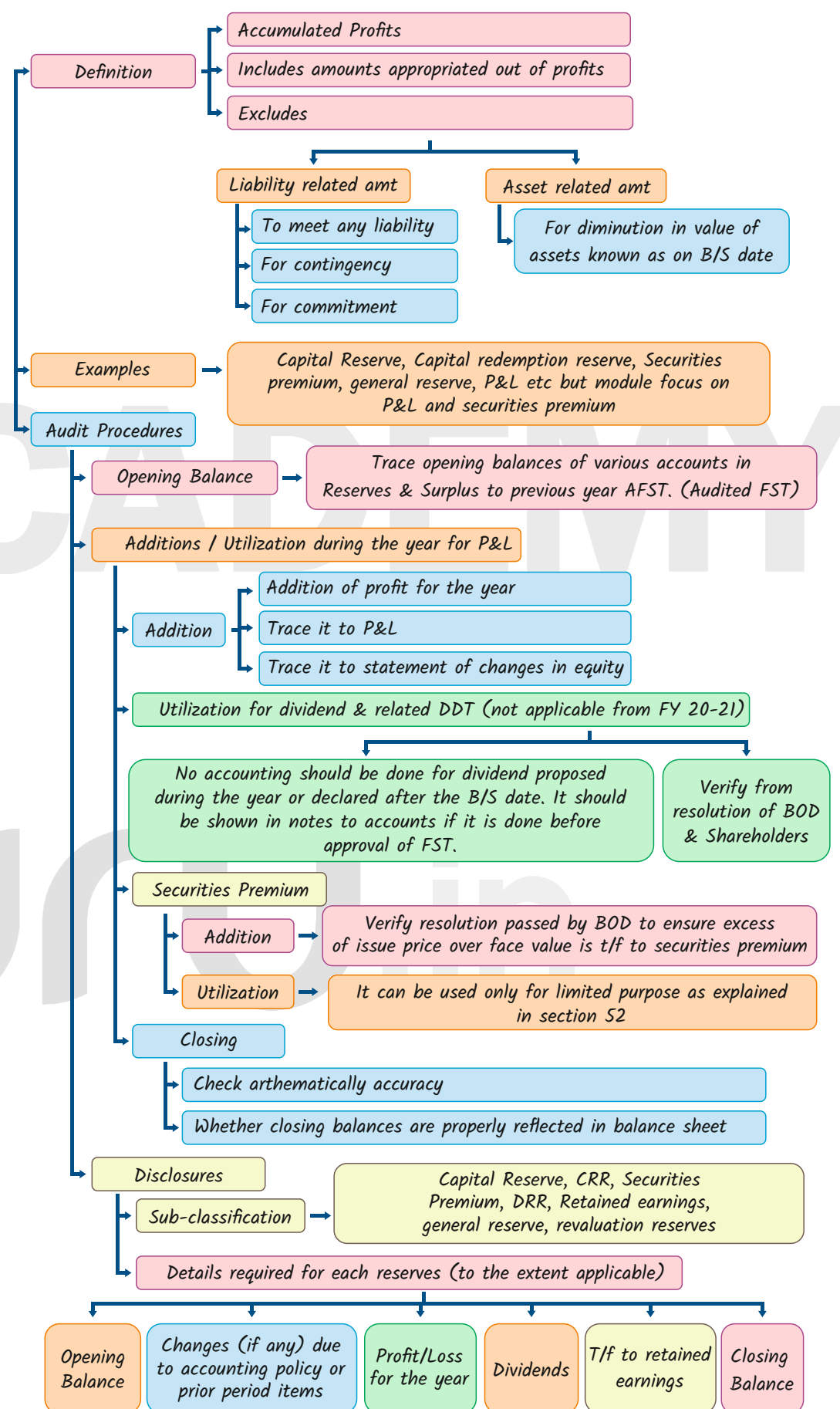
CA Ravi Taori



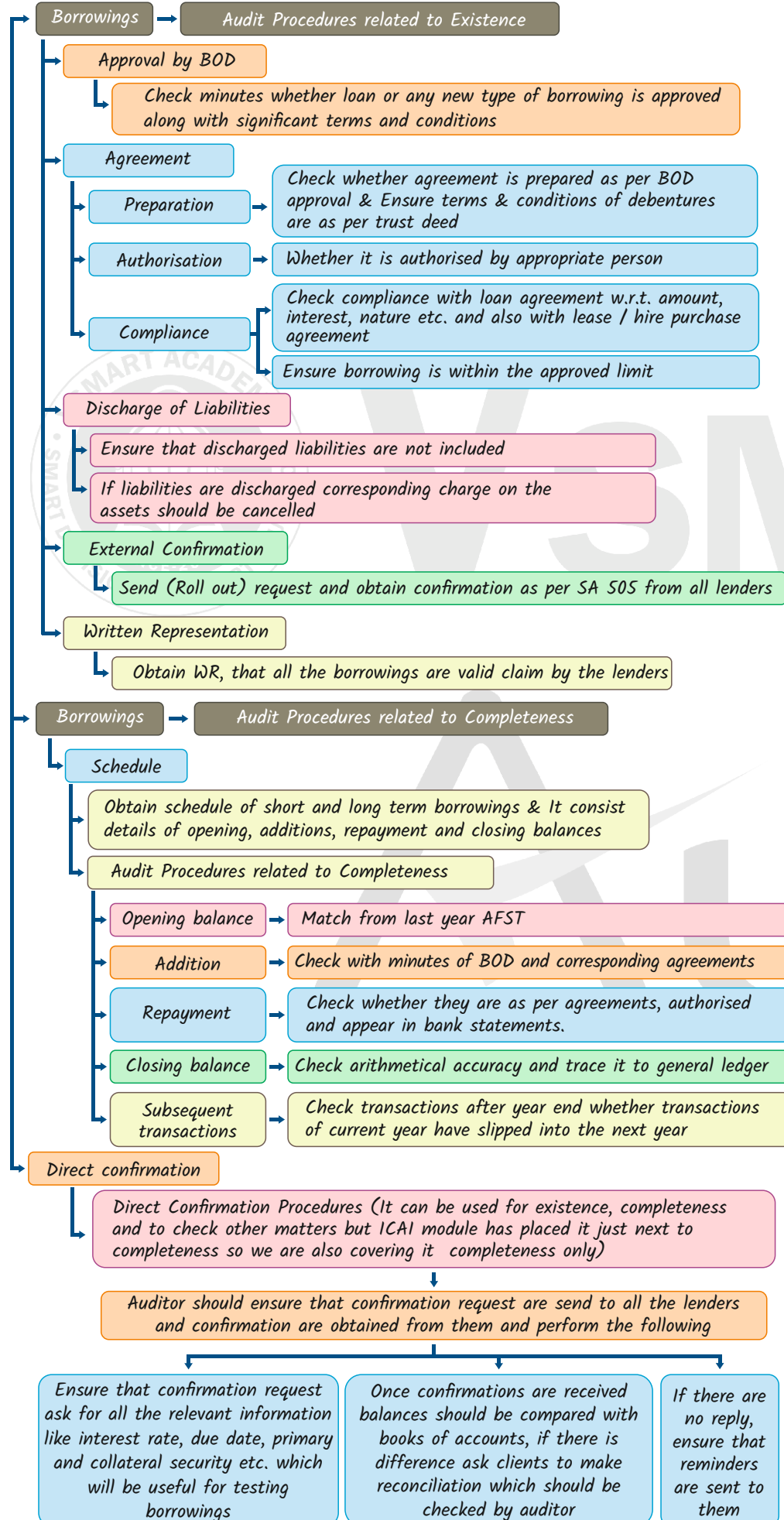
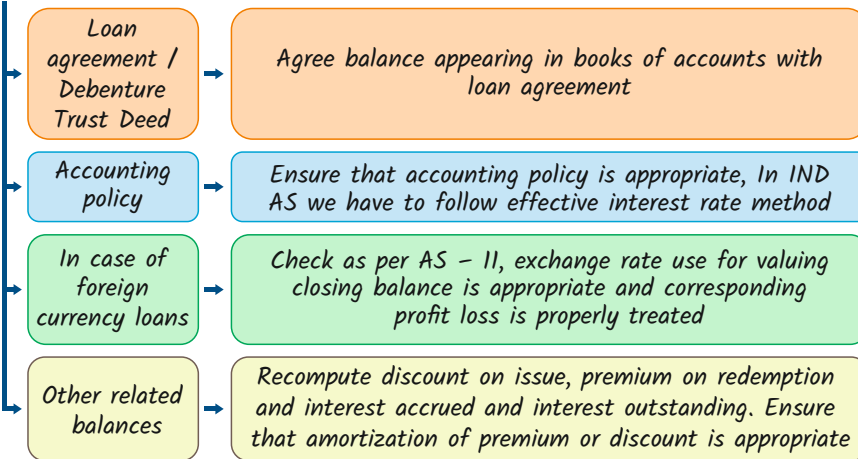
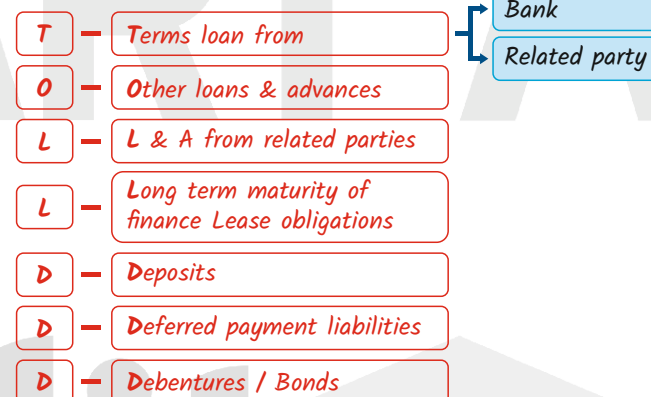
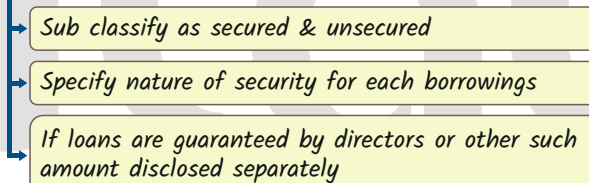
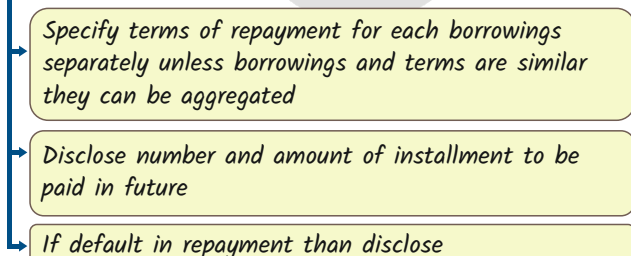
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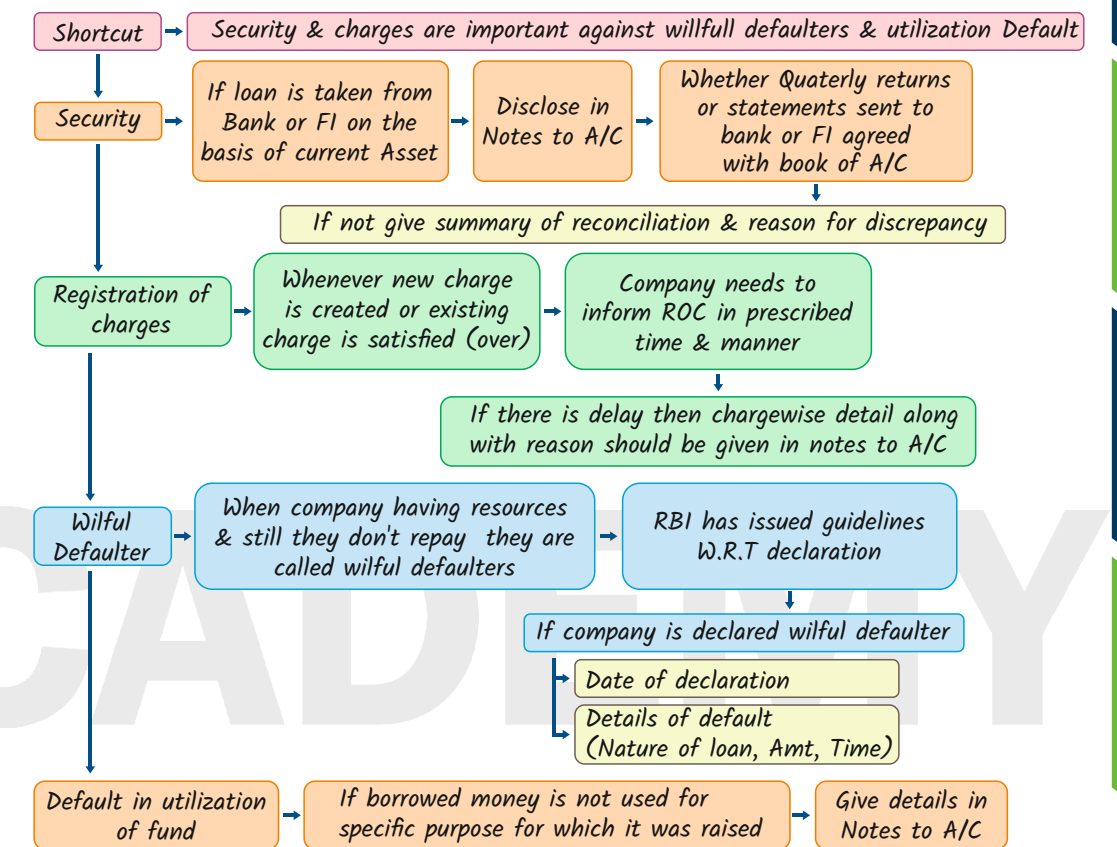
Telegram

ISSUE OF SWEAT EQUITY SHARES (SECTION 54)**REDUCTION OF SHARE CAPITAL (SECTION 66)****DISCLOSURES OF EQUITY SHARES AS PER SCH III****UTILISATION OF BORROWED FUNDS AND SHARE PREMIUM****AUDIT OF RESERVES & SURPLUS**

Note :- Reserves represented by earmarked investment should be denoted as Fund. Debit balance of P&L should be shown as negative figure in surplus. If overall reserve and surplus become negative still it should be shown in reserve and surplus

AUDIT OF BORROWING**Borrowings****Audit Procedures related to Valuation****Borrowings****Audit Procedures related to Disclosure****Requirements of Schedule III w.r.t. long term borrowings****Category for disclosing long term borrowings****Shortcut TOL²D³****Instructions in Schedule III w.r.t. long term borrowings****Security related****Repayment related**

Note :- Disclosure of short term borrowing is similar to long term borrowing. As per recent amendment current maturity of long term borrowing should be shown under short term borrowing, Earlier it was shown under other current liabilities

SPECIAL DISCLOSURES RELATED TO BORROWINGS

TRADE PAYABLES**EXISTENCE****Audit procedures related to existence****Internal control related points**

- System should ensure that liability should be booked only after expenses are recorded
- System should ensure that same purchase/expense should not get recorded more than once

Ledger Scrutiny

Identify large entries and check them with supporting documents. Obtain ageing report and check whether it appears reasonable and match its total with general ledger

Direct confirmation procedures for Trade Payables

Meaning → To contact vendors and ask them to confirm trade payable balances directly / independently to Auditor

Selection → All significant account balances should be selected and also parties with whom material purchases are there even if outstanding balances are insignificant

Revealing Selection → Selection should not be revealed to the client till the time they give final trial balance of trade payable ledger

Consent

Auditor should inform client that he is planning confirmation for following parties and taken there consent

Management may request not to sent confirmation request to some creditors

In such cases auditor should consider whether there are valid grounds

Further as per circumstances, auditor may perform alternative audit procedures for such creditors.

Confirmation request letter

Preparation → In two ways it can be prepared

Auditor may give list of creditors to management and management will prepare all the confirmation request and send them to creditors but it should be under strict supervision and control of the auditor.

Alternatively, to obtain pre-authorised confirmation request letter, then auditor can put name, address, amount and sent directly to creditors

Date → Date can be either balance sheet date or date can be closer to balance sheet date

Balance disclosure

Either balance as per books may be disclosed in the confirmation request or no balance disclosure will be done in request and it may ask balance as per the books of creditors

Ensure confirmation letter or undelivered letter are received directly to auditor

Discrepancy → If any discrepancy is revealed ask management to prepare reconciliation and auditor should perform audit procedures based on reconciliation items

No response → Alternate Audit Procedure

If confirmation are not received then check subsequent payments after year end.

Balances outstanding should be broken into identifiable transactions and such amount should be matched with invoices or other documents.

Special points

Related Party Transactions (RPT) → Ensure that such transactions are authorized and prices, terms and conditions (arm length price) are properly disclosed in FST

Analytical procedures → Review trend line of purchase / expenses / trade payables and compare trend over period of time and check unusual trends which should be investigated.

Trade Payable Audit Procedures related to Completeness

To check whether any purchases or creditor is unrecorded during the year, Purchase should be booked if goods are received.

Documents received just before year end

Obtain last 5 goods received notes / receiving report, Obtain details of last 5 gate entry pass from inward book, Ensure that these are recorded as purchases & creditors

Obtain last 5 invoices received before year end, Check when goods for the above invoices were received. If received before year end then should be recorded

Documents after year end

Obtain details of purchases booked immediately after year end

Obtain details of material payment to creditor after year end

Obtain details of major expenses after year end

Check whether these purchases / expenses belong to current year.

Trade payable Audit procedures related to valuation**Old Creditors & Disputes**

Understand method used to identify old creditors

Ageing

Last Trade

Last payment

Expert opinion

Check whether the method is consistently applied year on year and it is appropriate as per business environment

Obtain ageing of trade payable and it should be split between upto 30 days, 30-60, 60-180, 180-365 and more than 365 days.

Obtain list of vendors with whom company have disputes and whether there are any litigations for them.

If company thinks that liability is no longer payable and should be written back then it should be approved by appropriate member of senior management (CEO, MD)

Foreign currency Trade payable

Ensure that they are re-stated as per closing foreign exchange rate as per AS-11

OTHER CURRENT LIABILITIES**Advances received from customers**

Obtain customer wise listing for advance received

Obtain ageing for the advances received

If advances are outstanding beyond 6 month, inquire with management whether there is dispute and whether additional liability needs to be recorded check underlying documents

Liability for statutory dues (TDS, GST, ESIC, PT, PF payable)**GST payable**

Obtain details of GST liability for the last month and recompute GST liability by applying appropriate rate to sales date

If variation then ask management to explain it.

PF payable

Obtain details of last month PF liability and apply appropriate rate to employee benefit expense (Salary account)

If variation then management to explain it

Subsequent payments & CARO

Check subsequent payment for each statutory liability which is outstanding as on year end with deposit challan amount

If mismatch between liability amount and challan deposited amount ask management for explanation

CARO reporting – understand requirement of CARO w.r.t. statutory dues and report accordingly

TRADE PAYABLE & OTHER LIABILITIES DISCLOSURE**Disclosure**

What should be covered in trade payable → Only payables for purchasing goods and receiving services should be covered in trade payables

Specific disclosure related to MSME under section 22 of MSMED Act, 2006

Total principal amount and interest DUE as on Balance Sheet date

Penal interest paid as per section 16 for making delayed payments

Interest due on late payments made

Accrued Interest on late payment o/s

Interest due and not paid even after year end, which will not be allowed as deduction under income tax act.

Continue On Next Page...



Further classification of other current liabilities

Shortcut - MAI FIDa

- Unpaid matured deposits / debentures and interest accrued
- Income received in advance
- Interest accrued on borrowings
- Current maturity of finance lease obligation
- Interest due on borrowings
- Unpaid dividend
- Others (specify nature)

Ageing Disclosure

	less than 6 M	6 M to 1 yr	1 yr to 2 yr	2 yr to 3 yr	More than 3 yr	Total
(i) Undisputed Trade payable considered good						
(ii) Undisputed Trade payable considered doubtful						
(iii) Disputed Trade payable considered good						
(iv) Disputed Trade payable considered doubtful						

(CNO.AIFS-PI.140)

(MCQ-AIFS.1, AIFS.13, AIFS.15, AIFS.20, Incs.03.01, Incs.03.4, Incs.49.2, Incs.56.4, Incs.62.4)

AUDIT OF PROVISIONS

(In this item module has not given audit procedures assertion wise, so we are having combined audit procedures)

Types of Provisions

- Provision arising from contracts with customers E.g. warranty, after sale services, damages for losses suffered by customer
- Provision for litigations and claims
- Other provisions E.g. employee benefits, sale return etc.

Obtain list of all provisions and match it with general ledger

Obtain detailed working of all material provisions and check whether they are logical complete and accurate.

Obtain experts report in case of complex and significant provisions

- Report from actuary should be obtained for employee benefit provisions
- Special focus on assumptions and methods used by expert
- Evaluate the work of expert as per SA 500 which deals with management expert.

Report / letter / discussion from legal counsel (lawyers)

Understand likely hood of liability arising on the entity whether it is probable, possible or remote

Continue on next column...

Disclosure Requirement

Classification

- All current and non-current provisions should be classified under
 - Employee Benefits
 - Other (specify nature)

Movement in provisions

- Op. Balance
- Addition during the year
- Reversal during the year
- Utilization during the year
- Closing balance

Disclosure to improve understanding

- Describe nature of obligation and expected timing of outflow of economic benefits
- Nature and degree of uncertainty involved and corresponding assumptions for future events
- Details regarding reimbursement of provisions

Contingent liability

If the possibility of outcome is more than remote then such liability is shown as contingent liability and following details should be given: -

- Estimated financial effect
- Uncertainty involved
- Possibility of reimbursement

Part 2 - AIFS ASSETS

(CNO.AIFS-P2.020) (QNO-AIFS.31) (MCQ-AIFS.23 Incs.13.1, Incs.43.1, Incs.43.2, Incs.43.3, Incs.43.4, Incs.56.3)

AUDIT OF PPE

AUDIT PROCEDURES FOR EXISTENCE

Management should conduct physical verification and auditor should attend it.

Policy w.r.t. physical verification whether performed by own staff or 3rd party

Periodicity of verification whether annual or once in 2 yr / 3 yr

Supervision

Obtain evidence that physical verification is supervised by appropriate authority

Obtain report and supporting working paper and check following

- Assets should be properly tagged (stickers)
- Tag should contain details of nature of asset, identification marks or numbers
- Working paper should contain assets physically verified
- Reconcile items of report and working paper with fixed asset register
- Ensure FA register contains all additions and deletions before reconciliation
- Discrepancy can arise because of shortage, asset not in working condition or active use & Depreciation should not be charged on such assets and they should be written off.

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AUDIT PROCEDURES FOR COMPLETENESS OF PPE

PPE Schedule

- Obtain PPE schedule for each class of asset showing the movement during the year (Opening + Addition - Deletion = Closing)
- Check arithmetical accuracy of the schedule

Opening balance of PPE

Tally it with previous year AFST

Additions

- Obtain list of all the additions during the year
- Check whether additions are approved by authorized person
- Check whether proper process like floating tenders, receiving quotations, and selecting vendor as per policy of company then awarding contracts and placing purchase order is followed
- Check documents for installation of the assets, receiving purchase invoice and payment of the asset

Accounting for PPE: -

- Accounting of PPE should be as per AS-10
- PPE should be booked only when recognition criteria as per AS-10 is fulfilled
- Cost will include initial acquisition, construction cost and will also include subsequent additions, replacement, repair and service cost if it gives more than normal future expected benefits
- Day to day servicing cost should not be capitalized
- Spare parts, servicing and standby equipment should be recognized as PPE only when they are held for more than one period

Deletions

- Understand mgt's reason
- Mgt approval and discard note authorising disposal of asset from active use
- Verify whether proper process like tender, competitive quotes are received and best one is selected
- Verify deletion is properly recorded ensuring that book value is written off and resultant gain / loss is transfer to P&L

Closing Balance

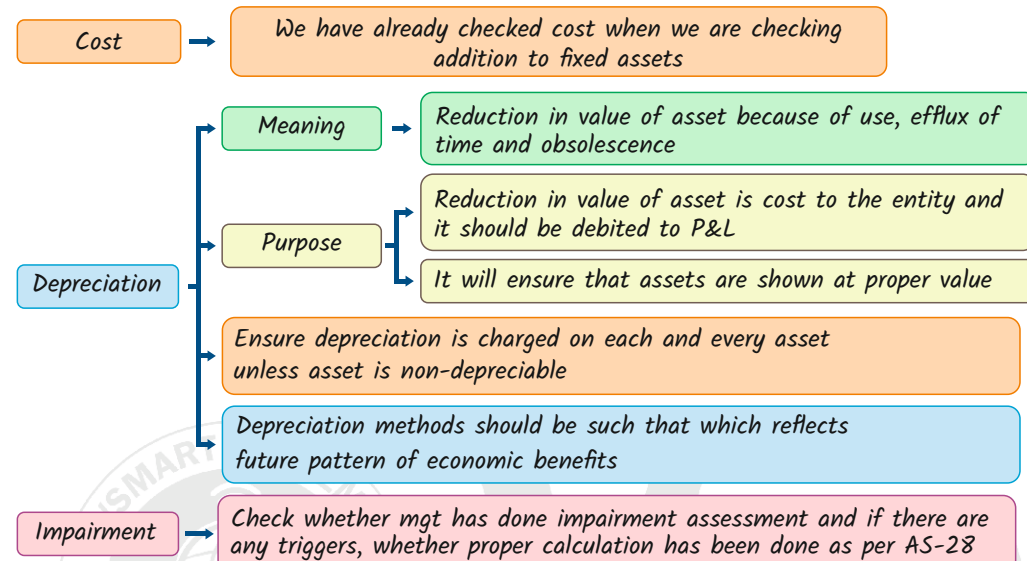
Closing balance of schedule should agree with closing balance of ledger, balance as per fixed asset register and balance as per balance sheet

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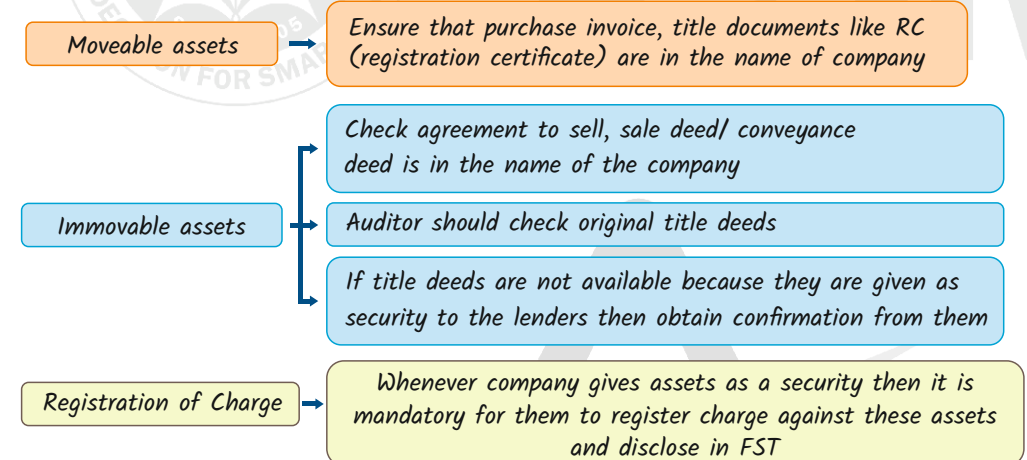


AUDIT PROCEDURES FOR VALUATION OF PPE

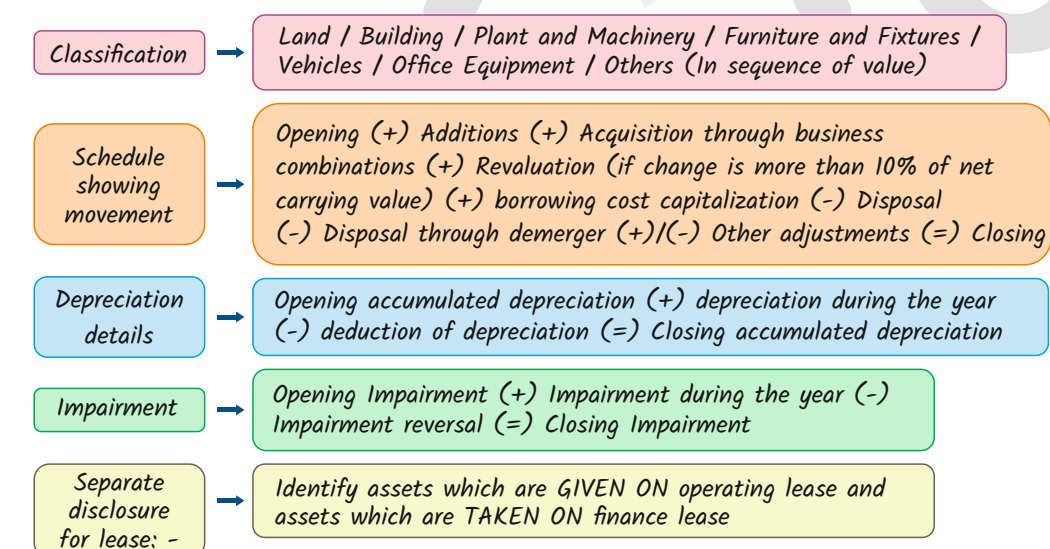
Generally value of PPE is equal to cost less accumulated depreciation less impairment



AUDIT PROCEDURES FOR RIGHTS AND OBLIGATION OF PPE



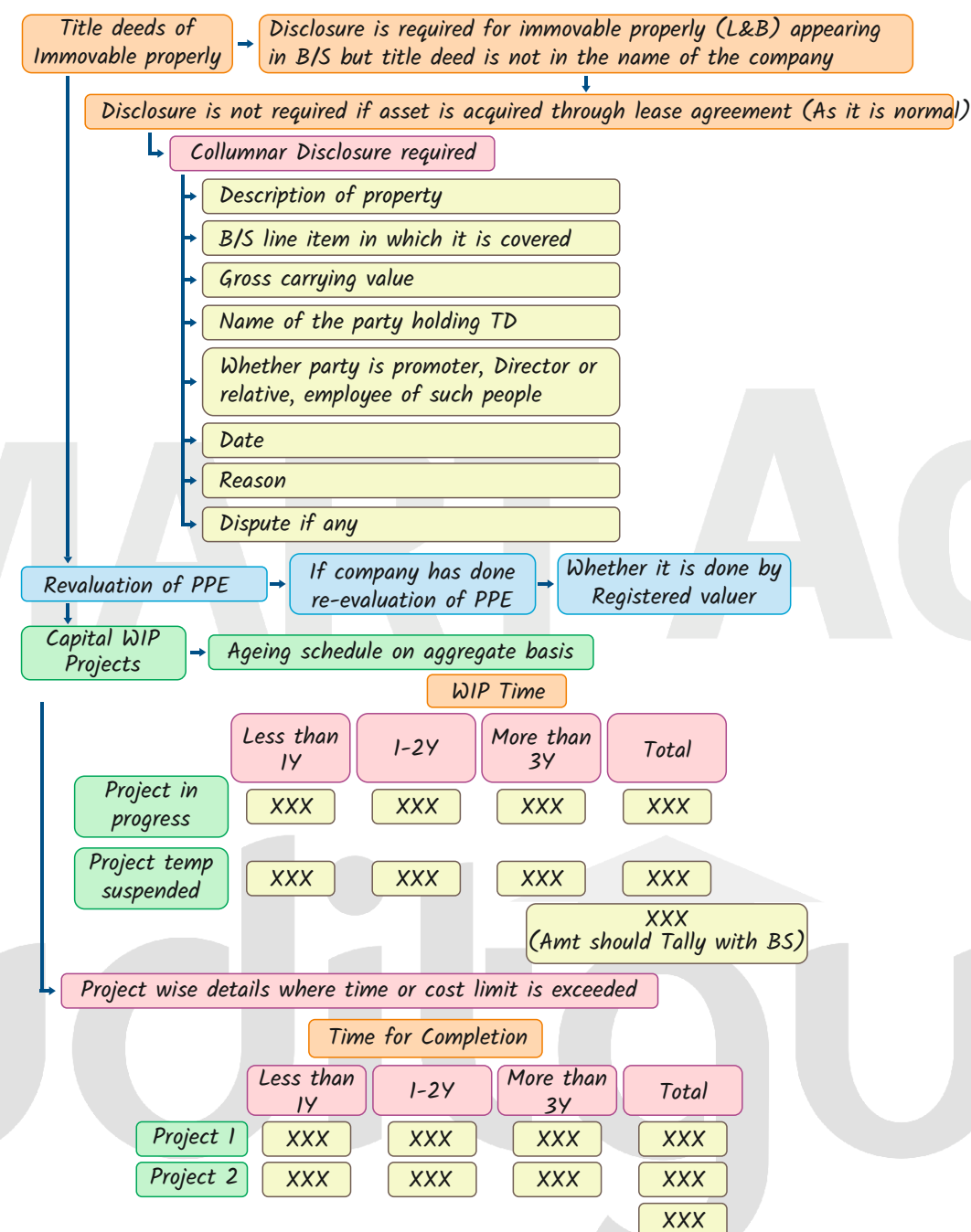
AUDIT PROCEDURES FOR DISCLOSURES OF PPE



(CNO.AIFS-P2.030)

SPECIAL DISCLOSURES RELATED TO PPE

Shortcut:- Disclose TRP



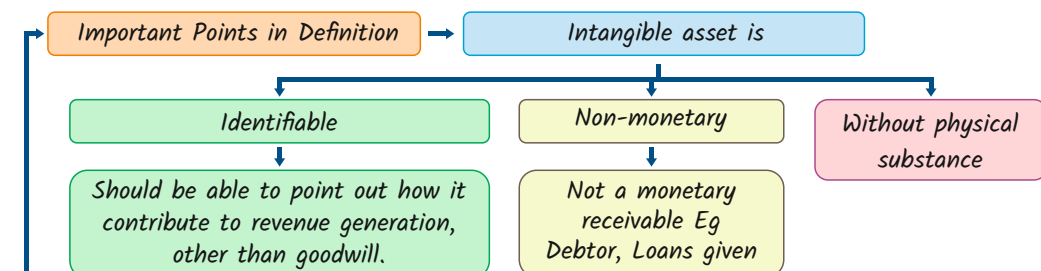
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(QNO-AIFS.35, AIFS.35.S0, AIFS.36, AIFS.36.S0)

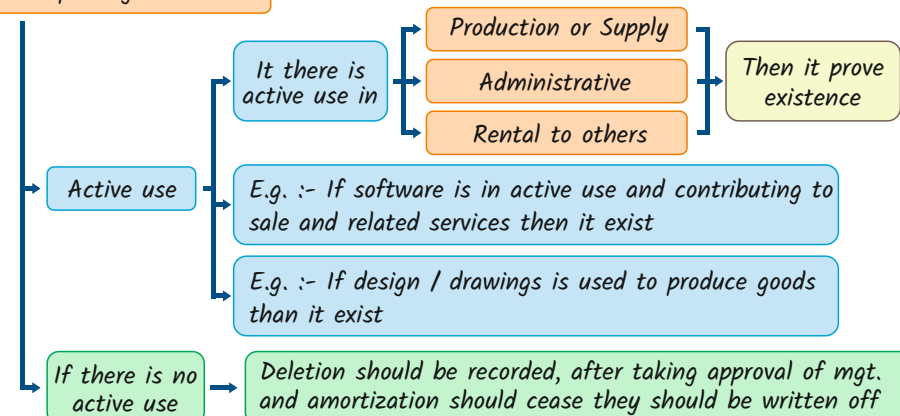
(MCQ-AIFS.3, AIFS.6, AIFS.18, AIFS.19, Incs.13.2, Incs.13.4, Incs.13.5, Incs.49.5)

INTANGIBLE ASSETS

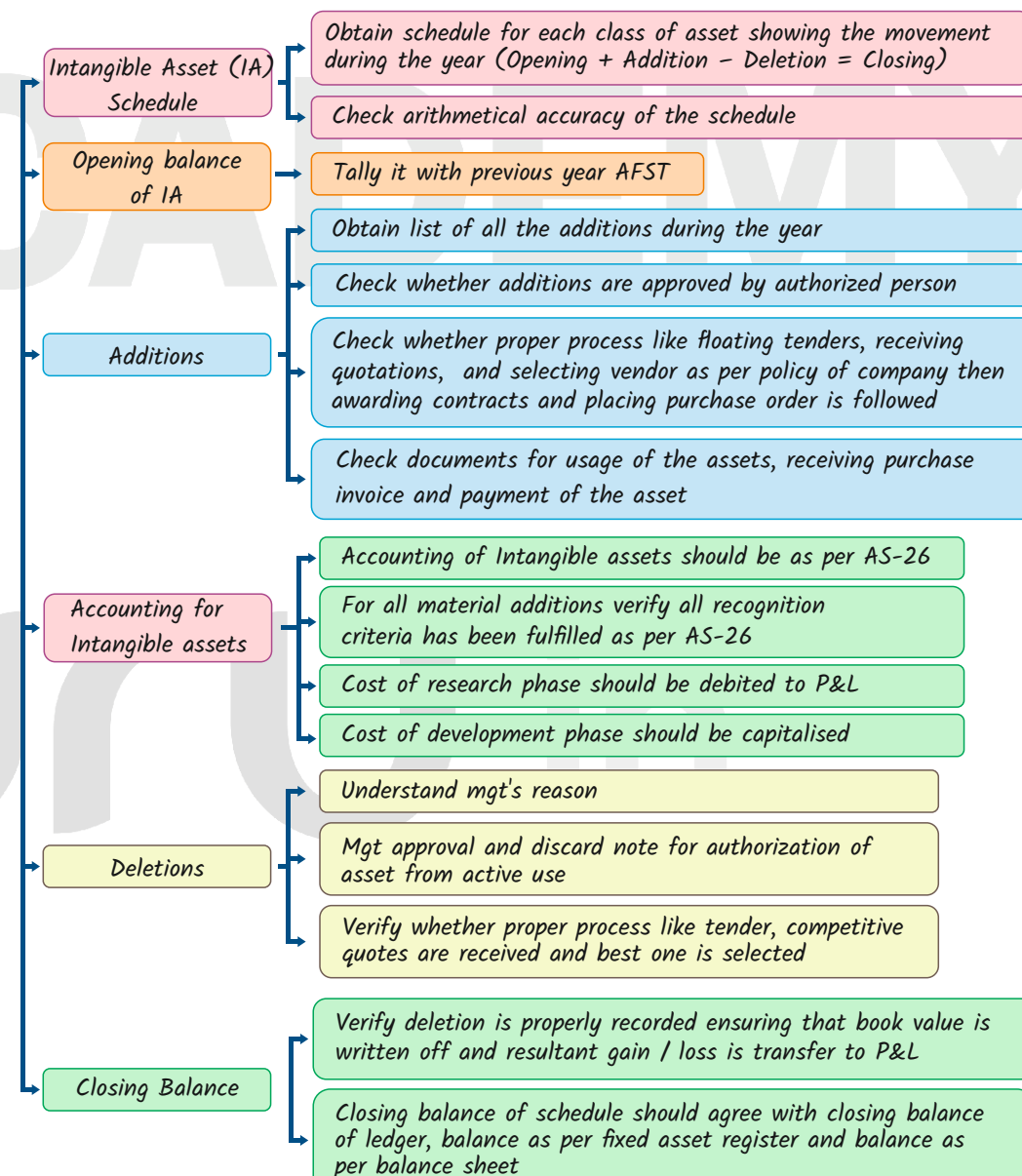
AUDIT PROCEDURES RELATED TO EXISTENCE



Criteria for proving existence

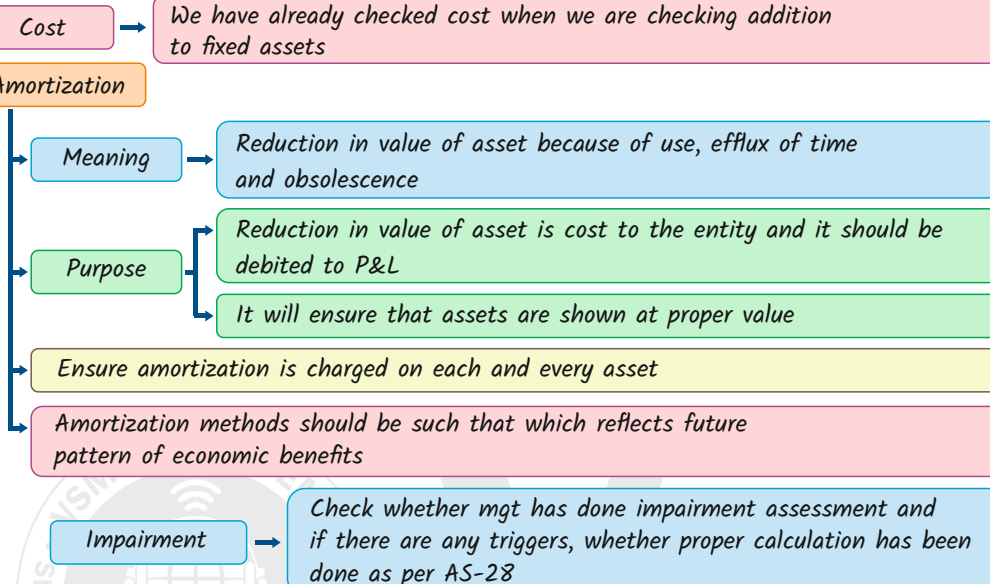


AUDIT PROCEDURES FOR COMPLETENESS OF INTANGIBLE ASSETS



AUDIT PROCEDURES FOR VALUATION OF INTANGIBLE ASSET

Generally value of I.A. is equal to cost less accumulated amortization less impairment



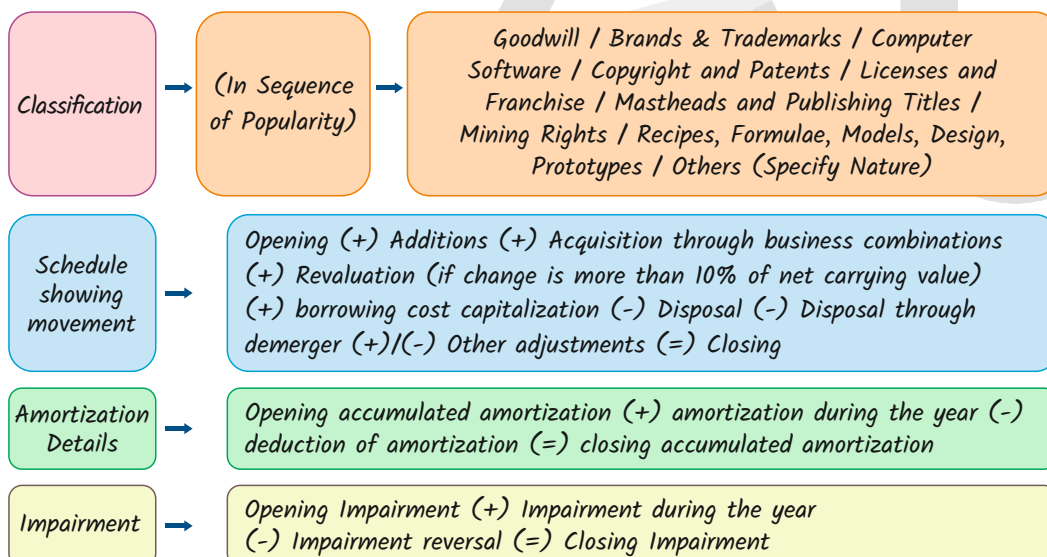
AUDIT PROCEDURES FOR RIGHTS AND OBLIGATIONS

If Intangible asset is purchased then obtain purchase agreement and it should be in the name of company including all ownership rights

If it is self-generated then check expense invoices and it should be in the name of the company

If government or any other authority recognize intangible assets like patent then it should be verified from government records / website

AUDIT PROCEDURES FOR DISCLOSURES OF INTANGIBLE ASSETS

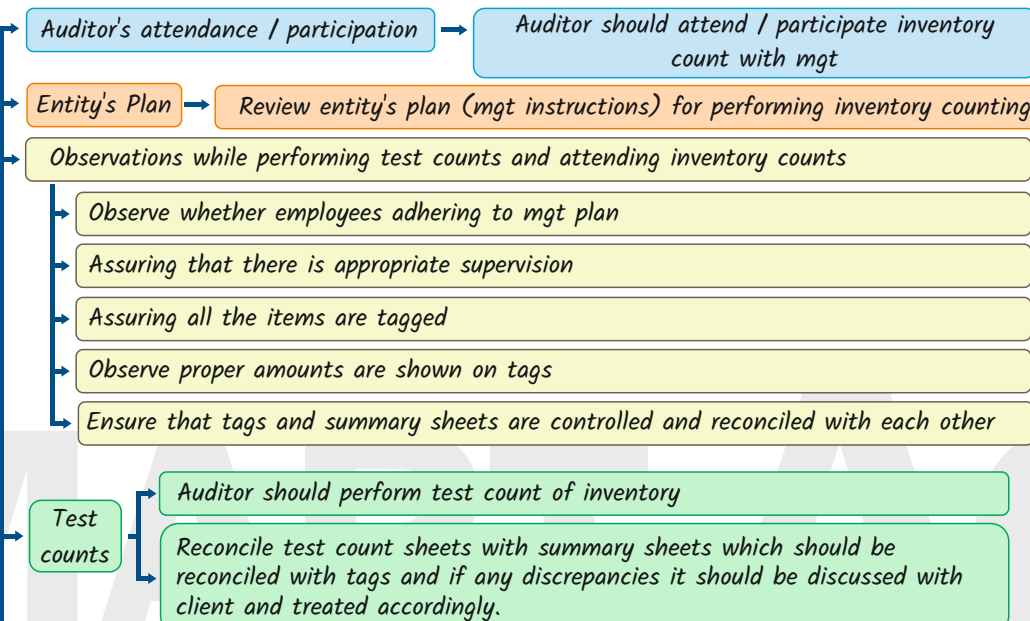


(CNO-AIFS-P2.060)

(QNO-AIFS.45) (MCQ-AFS.10, AFS.14, Incs.03.2, Incs.05.5, Incs.11.2, Incs.42.1, Incs.42.2, Incs.56.1)

INVENTORIES

AUDIT PROCEDURES RELATED TO EXISTENCE



Reconcile stock sheets

- Collect all the stock sheets made during physical verification
- Match it with the stock records as per books
- If there is significant discrepancies, discuss with mgt and ensure that it is treated properly

Periodic v/s Perpetual System

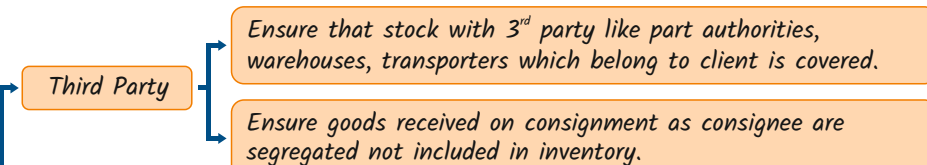
- Periodic System** → If entity is using periodic system ensure that verification is done at the end of the year
- Perpetual System** → If entity using perpetual system then physical verification may be done at interim dates (e.g. :- 30th Sept, 31st Dec)

Others

- Exclusion** → Ensure exclusion of 3rd party stock (goods received as consignee), damaged, obsolete stock.
- Inclusion** → Confirm or investigate goods lying with 3rd party (specially jobwork goods)
- Cut-off** → Check last 5 or 10 receiving reports and shipping documents and ensure goods are recorded in proper period
- Alertness** → Stay alert all the time specially for empty boxes and obsolete items.

AUDIT PROCEDURES RELATED TO COMPLETENESS

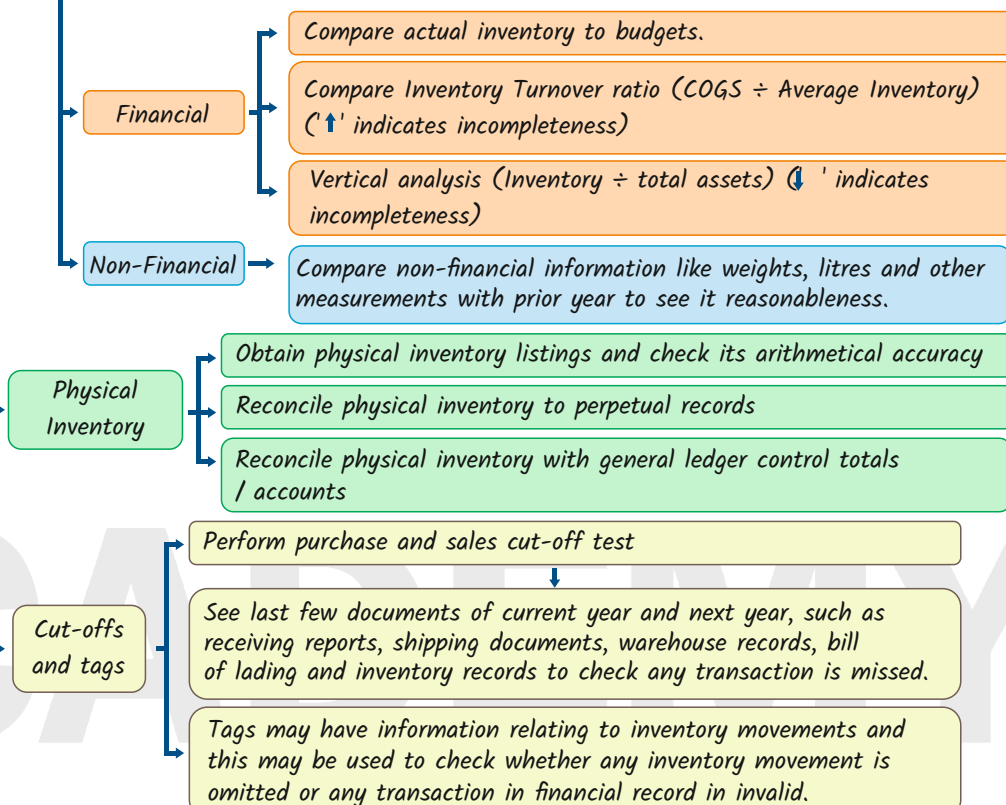
Shortcut - TAP Completeness



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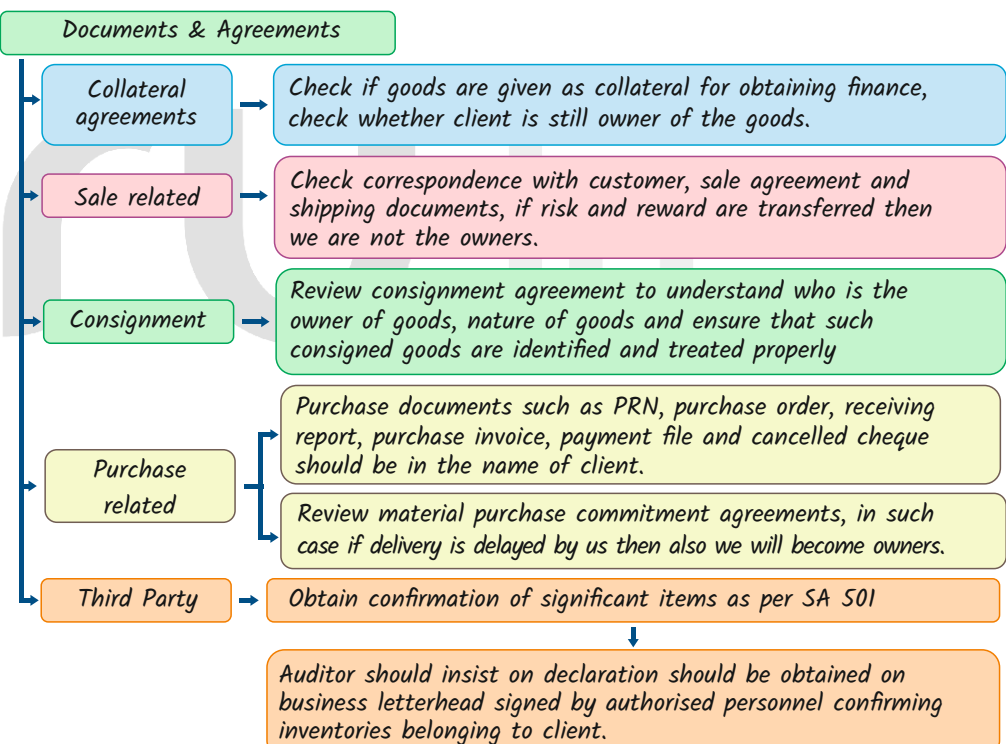
Analytical procedures

Compare financial and non-financial data with prior year, budget and industry average etc.



AUDIT PROCEDURES RELATED TO RIGHTS AND OBLIGATIONS

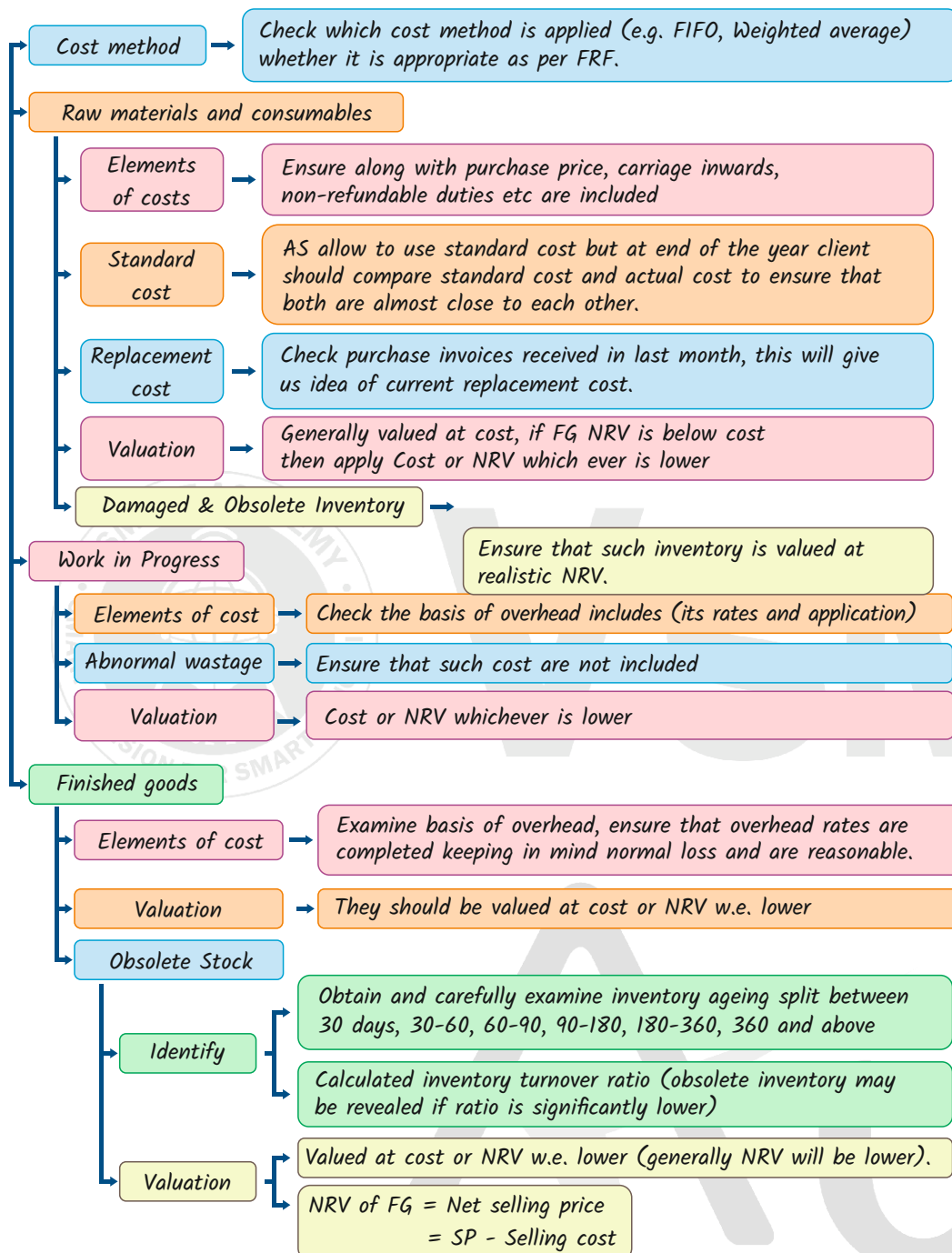
Shortcut - CS & CPT



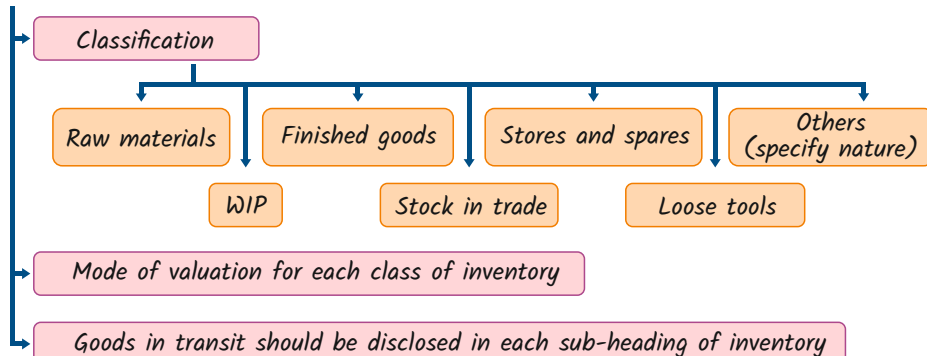
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AUDIT PROCEDURES RELATED TO VALUATION



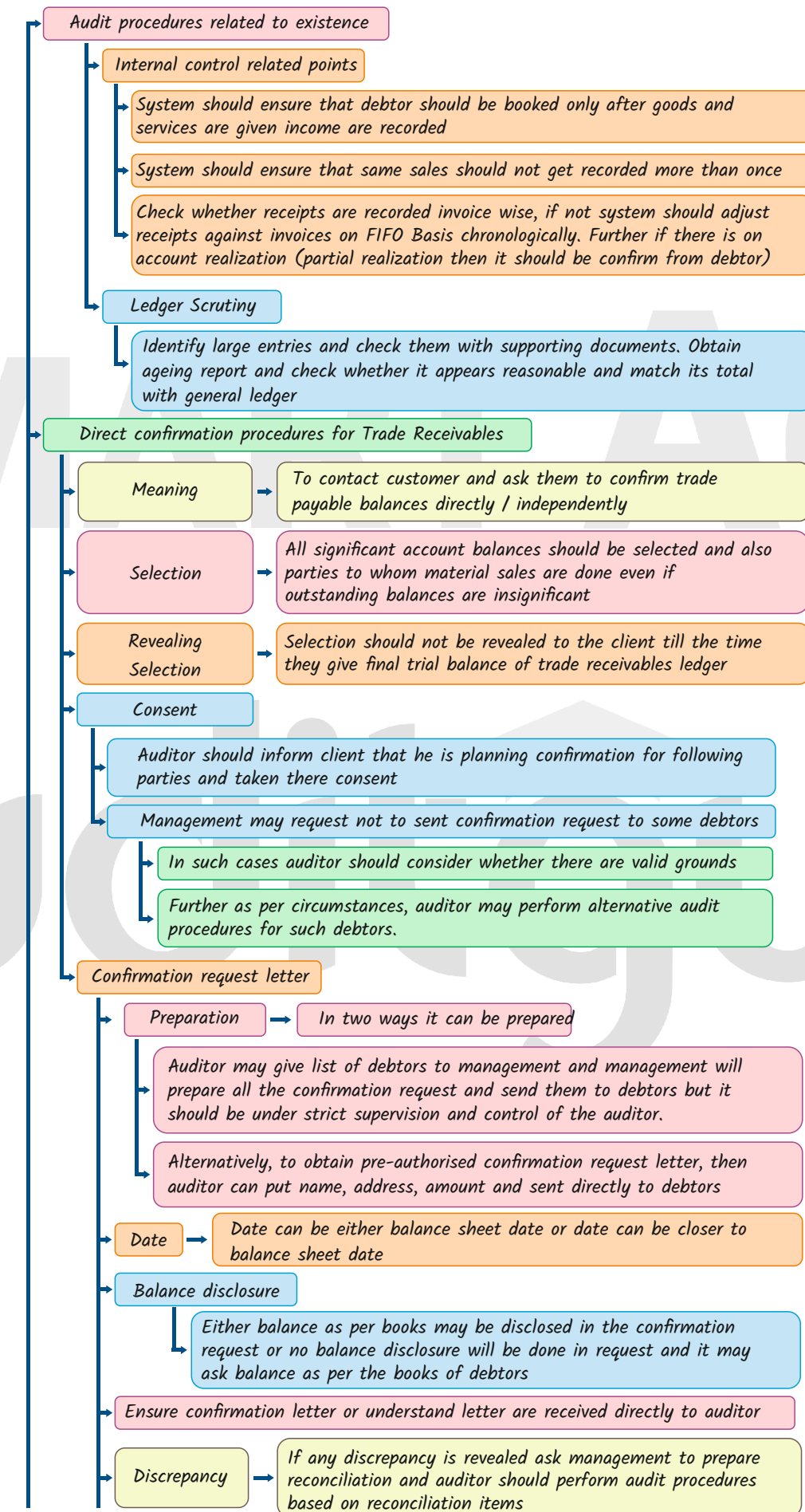
AUDIT PROCEDURES RELATED TO DISCLOSURES



(CNO-AIFS-P2.080) (QNO-AIFS.38, AIFS.38.50) (MCQ-AIFS.5, AIFS.11, AIFS.24, Incs.03.3, Incs.03.5, Incs.27.5, Incs.42.3, Incs.47.2, Incs.56.2, Incs.62.2, Incs.62.3)

TRADE RECEIVABLE

EXISTENCE



Continue on next column...

No response

If confirmation are not received then check subsequent receipts after year end.

Balances outstanding should be broken into identifiable transactions and such amount should be matched with invoices or other documents.

Special points

RPT → Ensure that such transactions are authorized and prices, terms and conditions (arm length price) are properly disclosed in FST

Analytical procedures → Review trend line of sales/trade receivables and compare trend over period of time and check unusual trends which should be investigated.

TRADE RECEIVABLES AUDIT PROCEDURES RELATED TO COMPLETENESS

To check whether any sale or debtor is unrecorded during the year

Documents received just before year end

Obtain last 5 shipping documents/dispatch records, Obtain details of last 5 dispatch entry from goods outward book, Ensure that these are recorded as sales and debtors

Obtain last 5 invoices issued before year end, Check when goods for the above invoices are dispatched. If dispatched before year end then should be recorded

Documents after year end

Obtain details of sales of immediately after year end

Obtain details of material receipts from debtor after year end

Obtain details of major sales after year end

Check whether these sales belong to current year.

TRADE RECEIVABLES AUDIT PROCEDURES RELATED TO VALUATION

Old Debtors & Disputes

Understand method used to identify old debtors

Check whether the method is consistently applied year on year and it is appropriate as per business environment

Obtain ageing of trade receivables and it should be split between upto 30 days, 30-60, 60-180, 180-365 and more than 365 days.

Obtain list of customers with whom company have disputes and whether there are any litigations for them. Check whether provision is made at appropriate rate considering recoverability.

If company thinks that debtor is no longer recoverable and should be written off then it should be approved by appropriate member of senior management (CEO, MD)

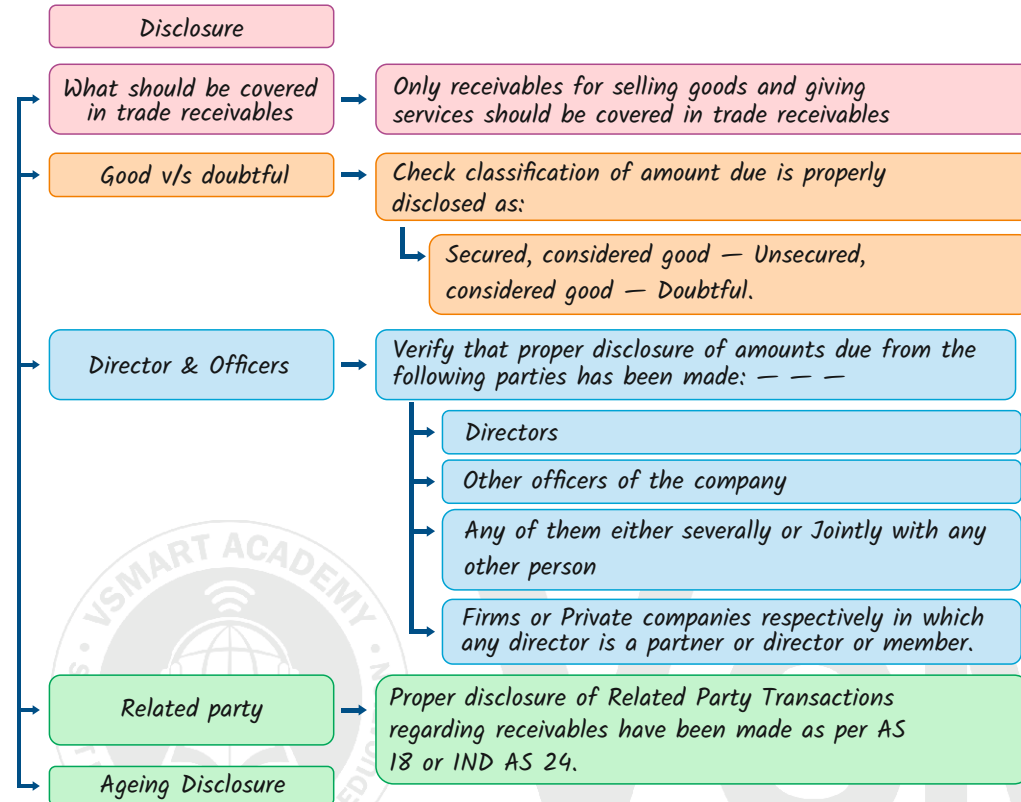
Foreign currency Trade receivables

Ensure that they are re-stated as per closing foreign exchange rate as per AS-11

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TRADE RECEIVABLES DISCLOSURE

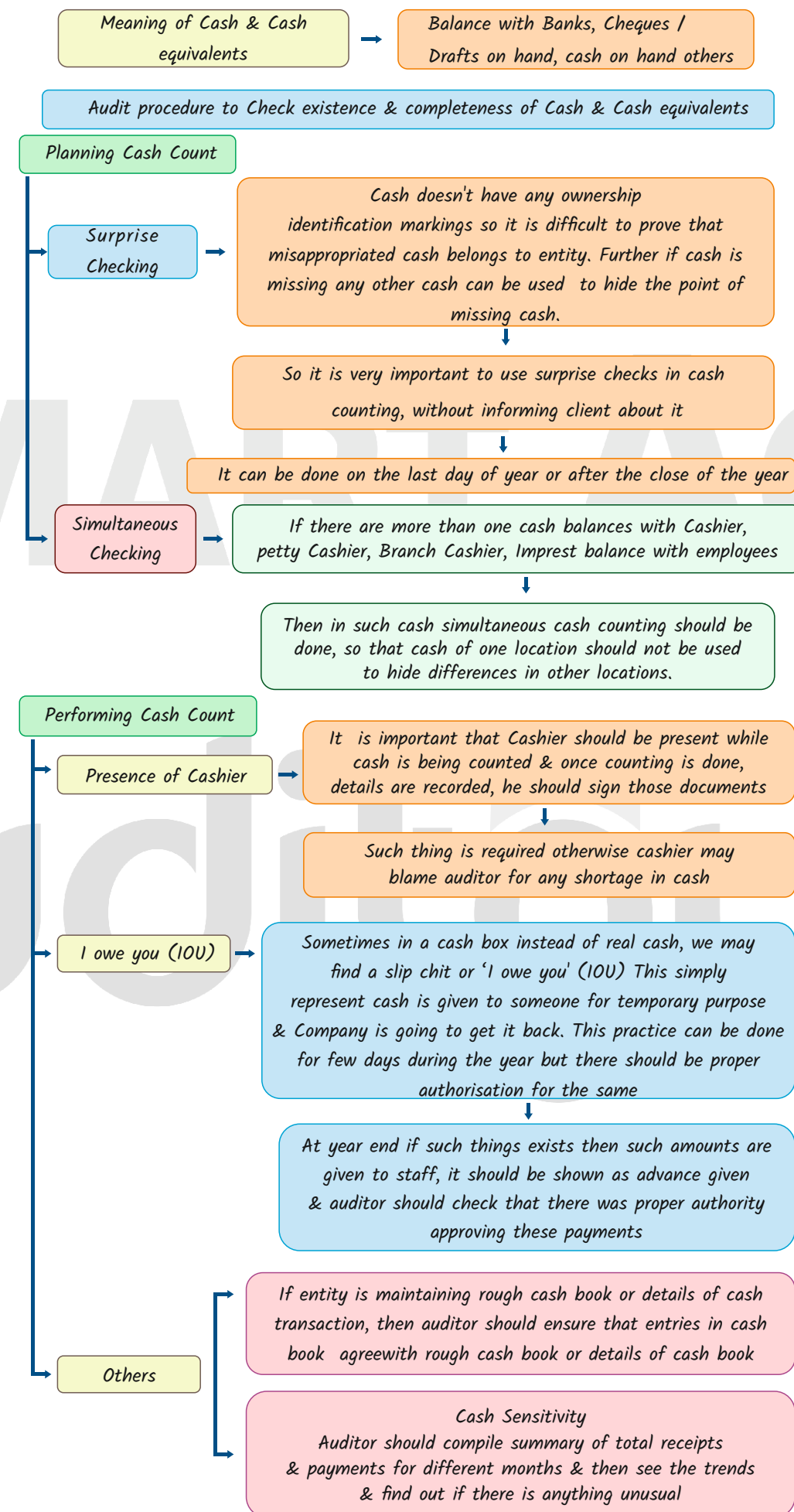


	less than 6 M	6 M to 1 yr	1 yr to 2 yr	2 yr to 3 yr	More than 3 yr	Total
(i) Undisputed Trade receivables considered good						
(ii) Undisputed Trade Receivable considered doubtful						
(iii) Disputed Trade Receivable considered good						
(iv) Disputed Trade Receivable considered doubtful						

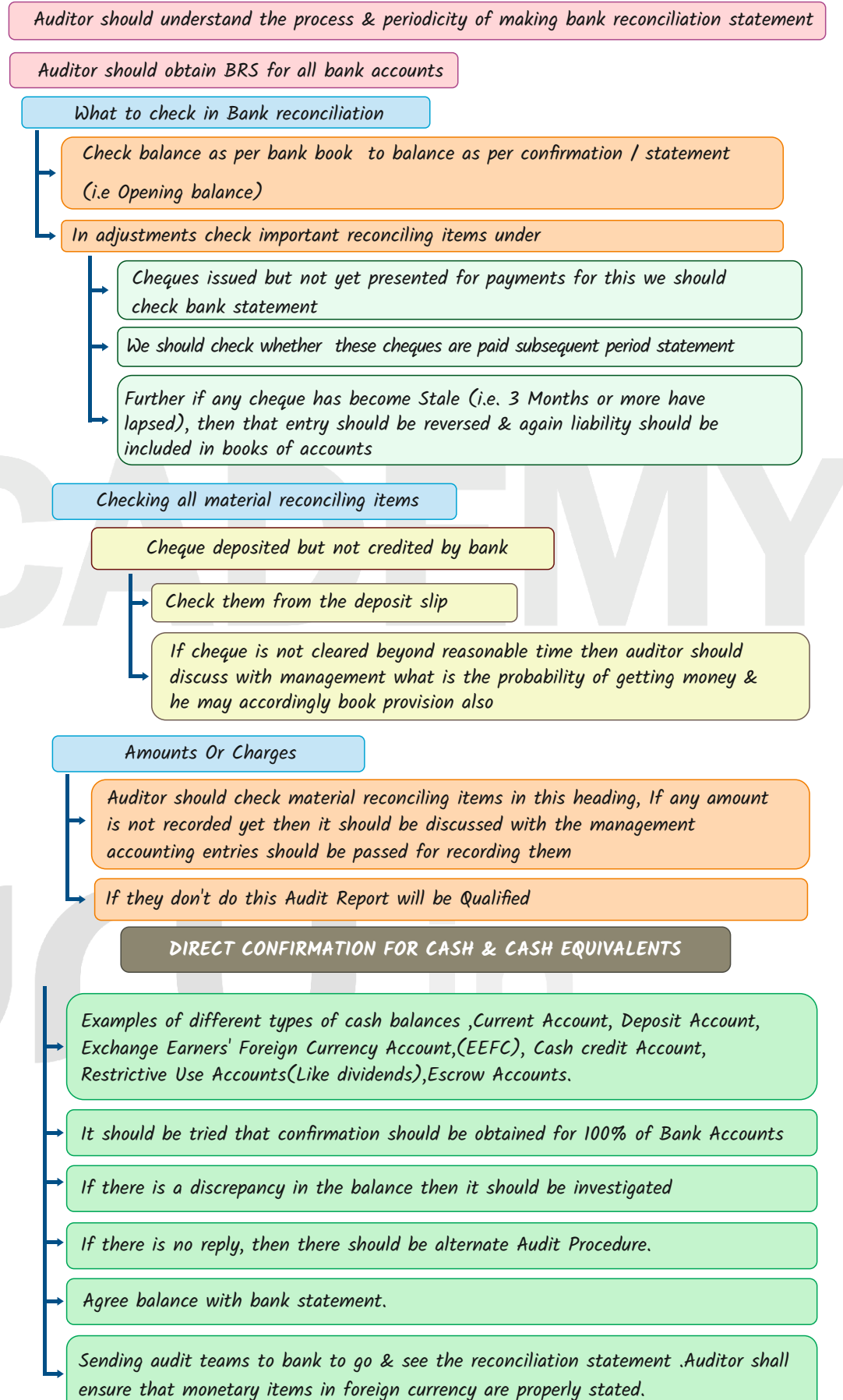
(CNO.AIFS-P2.100)

(QNO- AIFS.40) (MCQ-Incs.19.2, Incs.42.4)

CASH & CASH EQUIVALENTS



CHECKING BANK RECONCILIATION STATEMENT [BRS]



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CASH & CASH EQUIVALENT DISCLOSURE

It should be classified as

- Balances with Banks,
- Cheques, drafts on hands,
- Cash on hand
- Others (Specify nature)

*Earmarked balances with banks shall be separately stated

Balances with banks to the extent held as margin money or security against, the borrowings, Guarantees shall be disclosed separately

If there are repatriation restriction it should be specified

If bank deposit is more than 12 Months maturity ,shall be disclosed

***Ear marked balance are those which are already committed for some purpose.

(CNO-AIFS-P2.120)

(QNO-AIFS.45)

LOAN & ADVANCES AND OTHER CURRENT ASSETS

Audit Procedures related to Existence

External confirmation should be performed just like debtors with only difference that while confirming principle you will also confirm interest receivable from the parties as per the agreed terms

Audit procedures related to Completeness

- Obtain list of all advances and other current assets
- Ensure that all the balances from the ledger are covered under list
- Ensure that all the agreements and acknowledgement from the parties in respect of o/s loans are covered in the list

Audit procedures related to Rights & Obligations (In the sequence of Importance)

MOA/AOA

It should authorize company to provide loans and advances

Authorization

- In case of companies, it should be authorized by BOD which should appear in minutes
- Further partner in case of firm and trustee in case of trust

Regularity & Security

Regular recovery and receipt of security proves that client has rights over such loans & advances, other current assets

Related party Loans & Advances

- Ensure that there are special authorized like of audit committee etc.
- Also check whether they are reasonable and at arm's length

Statutory balances

- Check GST input receivable, TDS receivable from the returns filled and claims made to authority.
- Check whether balances appear reasonable, we can apply GST rates to purchases or expenses, to see whether recorded inputs looks reasonable.

AUDIT PROCEDURES RELATED TO VALUATION

Process

Understand process followed by the company to identify and assess doubtful accounts, check whether such method is appropriate and consistent with previous year.

Ageing

Obtain ageing of loans & advances between due, 30 days, 30-60 days old, 60-180 days old, 180-365, 365 days and above.

Litigation

Identify loans and advances where litigation are going on

Identify doubtful accounts

From above identify doubtful accounts and discuss with mgt if account is not included in the list of doubtful accounts and discuss reasons with mgt.

Write-off

Check whether write-off and other reductions have been authorized by senior authorities.

Schedule

- Prepare a schedule for bad loans and advances (opening (+) addition during the year (-) written off during the year (=) closing balance)
- Also prepare schedule for provision opening + addition during the year (-) utilised during the year = closing balance

Foreign Currency

Ensure that foreign currency loans & advances are restated during the year.

AUDIT PROCEDURES RELATED TO DISCLOSURE

Classification as per Nature

- Security Deposits
- Loans to related parties
- Capital advances
- Other loans (specify nature)

Classification as per recoverability

- Secured, considered good
- Unsecured, considered good
- Doubtful

Provisions / Allowances for doubtful loans

It should be disclosed separately under relevant head

Special Disclosure

In case of director(s)

- Loans due from director
- Loans due from director jointly with other persons
- Loans due from partnership firms where director is partner
- Loans due from private company where director is director or member.

In case of other officers

- Loans due from other officers of company
- Loans due from other officers and jointly with other persons to company

Part 3 - AIFS INCOME & EXPENSE

(CNO-AIFS-P3.020)

(QNO-AIFS.45.50, AIFS.45.55) (MCQ-AFS.12)

AUDIT OF SALES (OVERVIEW)

Sale / Collection / Revenue Cycle

It is set of steps which start from receiving customer order to final receipt of the sales money

It is important for auditor to understand revenue cycle

Understanding revenue centres

Auditor should understand products and services of entity, major contributor, now additions & deletions, major customer and key terms of sales (cash vs credit)

Understand Internal control systems

Segregation of duties / setting credit limits / authorization / collections of amount due / accounting of sales.

Test of controls

Auditor should test design and operating effectiveness of ICS, so that he can reduce extent of substantive testing and comment on deficiency as per SA 265.

Common controls includes pre numbered sales invoices, stamps and signature for approvals and specific authorization if credit sales cross a particular limit or if there is bad debts write off.

Sampling

Samples should be selected randomly from customer orders / sale invoices / customer statements for applying substantive procedures.

Substantive procedures

It should be a mix of test of details and analytical procedures

In analytical procedures we can compare things with previous years / budgets or other entities.

E.g:- We can compute expected sales taking average price and then compare it with actual to find out sales are reasonable.

AUDIT PROCEDURE RELATED TO OCCURRENCE

Customer order / consent / Agreement Shipment

No shipment should be done without consent and agreement of customer specially ensure this at year end.

Customer

- Ensure customer is not fictitious
- Obtain confirmation from few customers

Continue On Next Page...

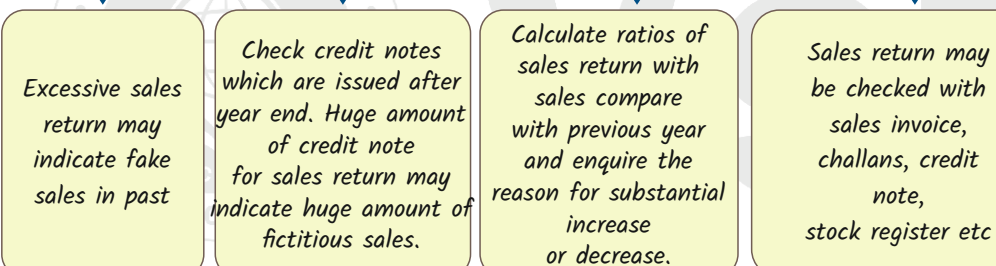


Accounting of sales

- Randomly select some journal entries and match them with invoices
- Unearned revenue should not be recognized as earned, eg. maintenance income of future years
- Whether customer obligation are contingent (installation)
- If there is substantial uncertainty in measurability and collectability we have to delay revenue recognition.
- Invoice should not be booked twice and canceled sale should be reversed

Special points

- Sequence of sales invoices → Check whether there is new unusual sequence of sales invoices, indicating fake sales
- Unusual transactions → Check whether there are unusual journal entries again creating doubt

Sale Return**AUDIT PROCEDURES RELATED TO CUT-OFF AND COMPLETENESS****Cut-off**

- Ensure that revenue is recorded in correct accounting period. So check sales transactions (last 5-10 of current year and 5-10 of next year)
- Date of recognizing sales should not be the date on which sales invoice is generated it should be the date on which risk & reward is transferred which are generally transferred on delivery of goods but in some circumstances depending on the agreement, it can be other date also (like installation etc)

Completeness

- Select some shipping documents and ensure that there is corresponding journal entry.
- Quantity appearing in sales register should be reconciled with quantity as per stock and GST records. Sales should be checked with GST returns.
- Further we can take GST and by reverse calculation get expected sales and these sales can be compared with actual sales and if there is variation then auditor should investigate.

AUDIT PROCEDURES RELATED TO MEASUREMENT / ACCURACY**Examination in Depth**

- Select few transactions and trace them from inception till end and understand all the terms and conditions carefully.
- This will help to identify incentives, discounts etc promised and further useful to identify combination of products, maintenance services, deferred payment, installation etc promised along with sales.
- All these points will affect whether sales to be recorded on immediate basis or sales to be recorded over period of time.

Percentage completion v/s completion method for services

- Depending on nature of services which are provided as per AS-9, revenue can be booked either step by step on percentage basis or it can be booked at the end when all services are given as per completion method.

Related party sales

- Check reasonability, rates and conditions are at arm's length when goods sold to related parties.

Export

- Export sales in foreign currency should be converted at average exchange rate as per AS-11.

Collectability

- Sales should be booked on the amount which entity expects to collect

AUDIT PROCEDURES RELATED TO DISCLOSURES**Requirement of Schedule III**

- Revenue from operations should be disclosed separately in following headings

Sale of Products	xxx
Sale of Services	xxx
Other operating revenue	xxx
Excise Duty / GST	(xxx)

Other points

- Ensure that sales are properly shown in segment reporting as per different types of products
- Ensure that related party sales are properly shown in notes to accounts.

(CNO.AIFS-P3.040)

(QNO -AIFS.45.60/ AIFS.69/ AIFS.71/ AIFS.73) (MCQ-AFS.4)

AUDIT OF OTHER INCOME**Audit of Interest Income on fixed deposits****Fixed deposit schedule**

- Auditor should ensure that fixed deposit schedule is accurate, with the help of which we can check the interest income.
- Opening F.D. can be matched with last year balance, current year F.D. can be match with fixed deposits receipts, redemption of F.D. can be checked with bank statements and for closing F.D. we can see receipts and confirmation from banks.

Interest on F.D.

- Check arithmetical accuracy of interest income by recomputing, ensure that proper amount, rate and days are taken into consideration

Confirmation

- While taking confirmation for F.D., auditor can also ask about interest income during the year to ensure that interest income as per books and confirmation match with each other.
- Auditor should obtain copy of form 26AS (this form shows TDS deducted by 3rd party which belong to the entity). So that auditor can do reversed calculation on the basis of TDS deducted by bank, to check interest income received.

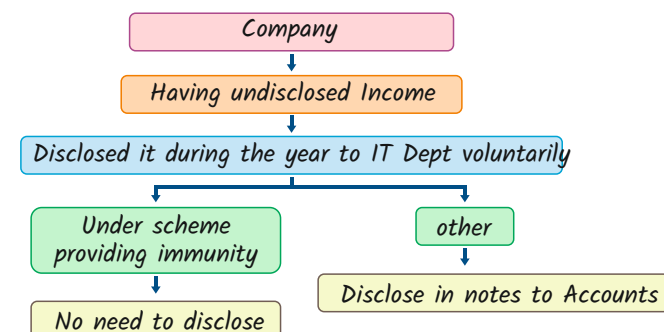
Audit of Dividend

- Ensure that dividend is recognized
- When primary condition of right to receive dividend is established
- Secondary condition that dividend should be measurable and collectable (probable that economic benefit will flow)

Audit of Gain/Loss on Mutual funds

- Ensure that this gain/loss should be booked only when title of mutual fund is transferred from entity.
- It will be difference between redemption price and carrying value of investments.
- Auditor can obtain mutual fund statements and check that gain/loss of books and statements agree with each other.

(CNO.AIFS-P3.050)

DISCLOSURE OF UNDISCLOSED INCOME

AUDIT OF PURCHASES (OVERVIEW)**Purchase Cycle**

It is a set of process which starts with placing purchase order with the vendor and ends with making payments to the vendor.

Production Centre

Auditor should understand nature of goods and services which are produced and type of raw materials and other items which are required for production

Auditor should understand pattern of procurement which goods form major part of purchases, who are the vendors and what are the terms and conditions like cash or credit.

Identify Controls

Auditor should understand whether there is segregation of duties, whether purchases above certain limit are authorized by purchase committee or senior personnel, whether quotations are called before placing purchase order, whether purchase order are numbered, when goods are received whether quality / quantity check are done properly and proper GRN is made, whether 2 or 3 way checks (match purchase invoice with GRN and purchase order, then only payment should be done)

Test of controls

Ensure that important controls in previous steps are tested through inquiry, inspection of documents, observation etc.

Sampling

Auditor can randomly select purchases to be checked, auditor can match each purchase transaction with purchase order which has all the approvals then inward entry in gate register, GRN, purchase invoices, vendor statements and reconciliation.

Substantive Procedures

It will be a mix of test of details and analytical procedures.

In analytical procedures, compare with latest year's trend analysis, budgets.

Auditor predicts purchases depending on Turnover occurred during the year and then match it with actual (predictive analysis)

E.g. of simple analytical procedure take average purchase price during the year then take quantity purchased during the year then multiply them, we can get expected purchase cost which should match with books of accounts. If there is variation it should be justified.

AUDIT PROCEDURES RELATED TO OCCURRENCE**Points in flow of practical life sequence**

- Ensure that entity's vendor selection process operates effectively and also check whether register of vendor exist
- Ensure that there is entry in goods inward register at factory gate for selected purchases.
- There should be quality inspection report.
- GRN should be prepared and signed by appropriate personnel.
- Whether stock record has been updated
- Purchase invoice should be approved only after 2 or 3 way match.
- Special consideration related to purchases

Shortcut - BIT COIN

- B** → Booking of purchase invoice should be done only when risk and reward are transferred to the entity. In case of FOB, it should be booked when goods are received by our transporter. In case of CIF, it should be booked when goods are received at our godown.
- I** → Ensure that Input tax is segregated and booked in appropriate account and input tax of entity should be match with tax returns and official records of the departments.
- T** → Transactions which are unusual in nature should be reviewed.
- C** → Capitalization or expending of a purchase should be reviewed carefully, by applying professional judgements.
- O** → Original invoice copy should be received and only on that basis purchase should be booked (photo copy or carbon copy) should not be basis of booking purchases.
- I** → If related party purchases, ensure that they are approved by audit committee or BOD as the case may be and also perform analytical procedures to ensure prices are reasonable and are at arm's length price.
- N** → Name of the entity should appear on purchase invoice and other documents, sometimes it can be in the name of branch.

AUDIT PROCEDURES RELATED TO COMPLETENESS, MEASUREMENT (ACCURACY)**Cut-off Test**

- It should be performed to ensure that purchases are booked in correct accounting year.
- Select last 5 GRN records and check whether they are properly recorded.
- Ensure that goods in transit are given proper treatment as per terms of contract, if its FOB its our GIT and if CIF its not our GIT.
- Obtain written representation that all purchases are booked and nothing is left out.

Analytical procedures

It is useful to check completeness and measurement and to identify any unusual things.

Consumption Analysis

Obtain raw material consumed from manufacturing account to compute raw material to total production cost to know consumption percentage and compare with previous year.

Stock composition analysis

Compute percentage of stock as compare to total stock and compare with previous year

Ratios

Compute stock turnover ratio, creditor turnover ratio and compare with previous year.

Make a quantities reconciliation of opening stock (+) purchases (-) consumption sales (=) closing stock.

AUDIT OF EMPLOYEE BENEFIT EXPENSE

(Module has given combined audit procedures for all important assertions)

Obtain list of employees at period end, plus schedule which gives monthly movement of employees split between new employees and leavers and continuing employees (There can be separate sheet for each month)

- New Hires**
 - Randomly select new employees
 - Obtain appointment letter
 - Check salary of 1st and subsequent month salary computation as per agreed terms
- Leavers / Resignation**
 - Randomly select employees who resigned
 - Obtain full and final computation whether all post retirement benefits has been properly calculated and check whether employee acknowledgement on final computation is obtained.
- Fictitious Employee**
 - TOC** → Understand and check system of attendance
 - TOD** → Meet employee in person on sample basis
 - Obtain bank details and identity proof of employee on sample basis
- Analytical Procedures**
 - Monthly analysis**
 - Obtain monthly salary register for 12 months
 - Compute average salary per employee per month and compare with same month previous year and preceding month to check reasonability.
 - Overall reasonableness**
 - Compute production per employee and compare it with previous year and prevalent industry trends.
 - Ask for reasons if there is any significant variations.
- Other points**
 - PF, ESI**
 - Obtain monthly calculations and check it accuracy
 - Obtain deposit challans to verify monthly payments
 - Apply PF, FSI rate to total basic wages for the month and get expected amount and compare with actual.
 - Closing accrued** → Ensure that closing accrued provisions is made for employee benefits like bonus, gratuity, leave encashment, pension etc.



AUDIT OF DEPRECIATION & AMORTIZATION

Auditor should check that depreciation is charged on all tangible assets and amortization on all intangible assets

E.g. :- Tangible assets like building, plant & machinery, vehicles etc.

E.g. :- Intangible assets like goodwill, patents, copyright etc.

There are four things which are important in calculation of depreciation / amortization (methods, cost, useful life, residual value) (points are grouped for retention)

Method related points

Understand entity's system of charging depreciation / amortization

Identify all the assets having big parts which needs component wise accounting and depreciation and ensure that mgt has identified all the components properly.

Select few assets from fixed asset register keeping in mind materiality and check whether the rates are appropriate and whether they are in line requirements of schedule II of companies act and they are applied properly.

Cost related points

Capitalization of expense is a important decision which affects cost of fixed asset and also expenses debited to P&L as these judgement can be misused so Auditor has to carefully check these expenses.

Additions / Deletions affect cost and book value of assets, so list should be obtained and sample should be selected and they should be checked for authorization and for accuracy of amount.

Check whether entity has used revaluation model in particular class of assets and if 'YES' check whether it is as per appropriate accounting standards

We can check number of additions and its value from income tax depreciation schedule and we can check number of deletions from income tax depreciation schedule.

Useful life

Ensure that depreciation charged from the appropriate date which should be date from which asset is ready to use as compare to when it is put to use in income tax

Ensure that depreciation is charged as per reasonable useful life.

Whenever there is a change in useful life, depreciation / amortization should be computed prospectively

Residual value

Ensure that residual value is properly verified and deducted while computing depreciation.

As per Schedule II it cannot exceed 5%.

Other Points

There is also a risk that fake assets are introduced to increase depreciation / amortization so attending physical verification can give us evidence regarding the same

Continue on next column...

Analytical procedures

We can check overall reasonableness of depreciation / amortization by performing independent calculation and comparing with actuals

Average depreciation = $\frac{\text{Opening plus closing balance}}{2}$, multiply by rate of depreciation.

AUDIT PROCEDURES RELATED TO DISCLOSURES

Policy for depreciation and amortization

Useful lives of assets as per Schedule II

Residual value of assets.

(CNO-AIFS-P3.120) (QNO-AIFS.53, AIFS.54, AIFS.55) (MCQ-Incs.06.1, 06.2, 06.3, 06.4, 06.5, Incs.08.2, Incs.19.3)

AUDIT OF OTHER EXPENSES (GENERAL)

Auditor can choose analytical procedures like comparing monthly trends etc or vouch for other expenses

While vouching auditor should check following matters

Nature of Expenses

Auditor should check expense should be for business and not personal expense

Authorization

Auditor should ensure that appropriate person should authorize as per authority matrix

Supporting documents

Every expenditure should have valid supporting documents (e.g. travel ticket, insurance policy, 3rd party invoice)

Period

Expense should belong to current period

Capital vs Revenue

It should be properly classified between revenue and capital

Expense head

Expense should be classified carefully under correct head

(CNO-AIFS-P3.120)

AUDIT OF OTHER EXPENSES (SPECIFIC)**Rent****Analytical Procedures**

Obtain month wise expense schedule

Compare month to month rent and ensure that rent is recorded for each of 12 months

TOD (In Sequence of practical flow)

Auditor may visit or ascertain that premises are used for running business operations

Auditor should obtain rent agreement and check whether it in name of entity and amount of rent is as per the agreement

Auditor should find out whether there is escalation clause in the agreement, if it is there auditor should ensure rent should be booked on straight line basis (Average basis)

If agreement is of multiple years, then auditor have to compute total rent for the period and compute average rent and book it consistently. If agreement is of 1 year or less, than such calculation may not be required

Continue on next column...

Power & Fuel**Analytical procedures**

Obtain month wise expense schedule for power bills and compare with month on month expense and it is booked for all 12 months

Auditor can compute expense for each month by obtaining units consumed and rates for each month and get expected power bill for each month and which can be checked with actual bill

Auditor can check relationship between units consumed per month by linking it to finished goods produced each month, both should increase decrease in same manner and if there is variance, auditor should investigate

Insurance Expense**TOD**

Obtain list / summary of insurance policies along with premium paid and there validity period

Check whether prepaid expense is properly recognized as per the part of policy which belong to next year.

Legal Expense**TOD**

Obtain month wise & consultant wise summary

For recurring legal expense check whether charges are as per retainer ship agreement and they are recorded for all 12 months

For non-recurring expenses, select some expenses on sample basis and match it with underlying agreement, invoices and other documents

Be cautious while checking legal expenses as you may come across disputes for which no provisions is made.

Travel, repair, printing & miscellaneous expense**Analytical procedures**

Obtain monthly summary, compare month on month expense and analysis the trend whether it is usual.

We can check overall reasonableness by computing expense per unit produced and we can compare this with previous year, opening budget, others in industry.

AUDIT PROCEDURES RELATED TO DISCLOSURES

Rent

Power & Fuel

Insurance

Travel

Legal & Professional

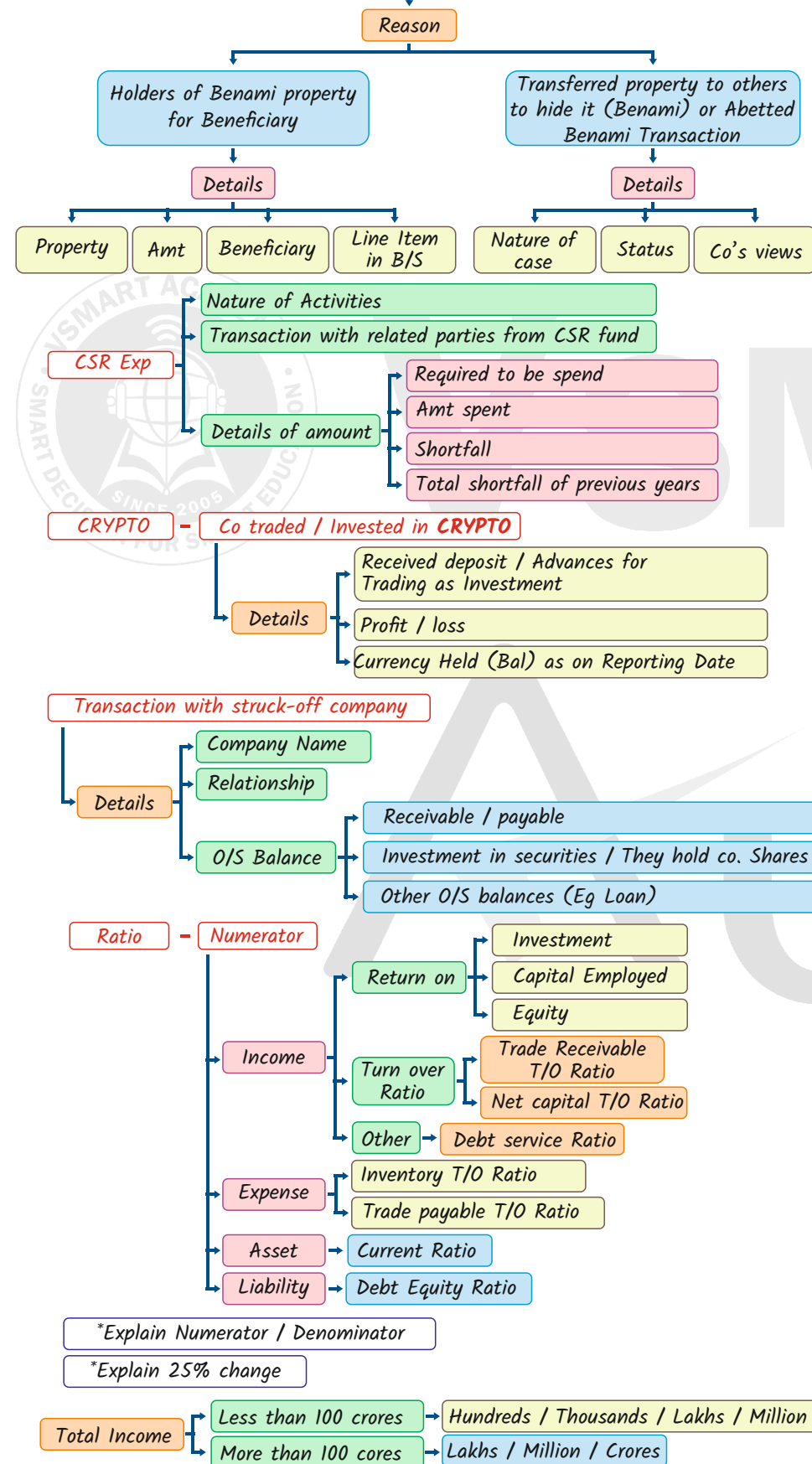
Printing & Stationary

Miscellaneous Expense



OTHER IMPORTANT DISCLOSURESShortcut - Benami property should be used for **C²SR²**

Company - Proceedings under Benami Transaction Act



Part I - Company Audit

CNO--CA.060 (QNO-CoAud.47/CoAud.49/CoAud.78) (MCQ-CA1.14,CA1.19)

SEC 141(1) & (2) QUALIFICATIONS

Sec 141(1) Individual Chartered Accountant holding COP

Sec 141(2) Partnership Firm including LLP (Majority Partners should be CA holding COP)
Only partners who are CA+COP can perform audit and sign FST & Audit report

CNO--CA.080 (QNO-CoAud.51) (MCQ-CA1.12, Incs.49.1, Incs.54.1)

SEC 141(4) - DISQUALIFICATIONS

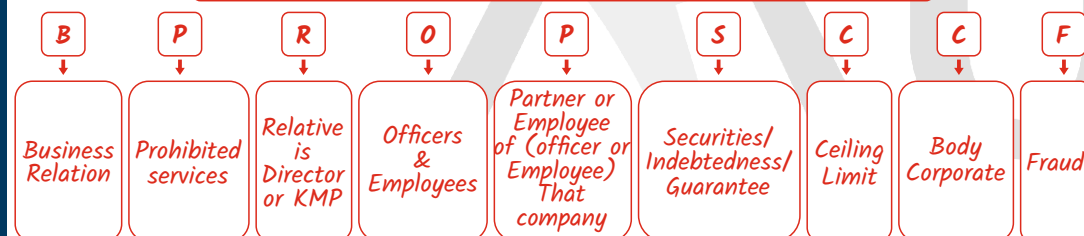
Disqualifications are to be checked at the time of appointment & after that



CNO--CA.080

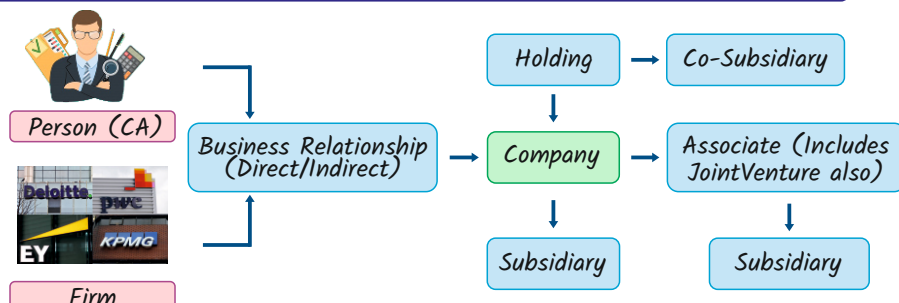
SEC 141(3) - DISQUALIFICATIONS

Shortcut: In Big PROPS there is Challenge & Chance of Failure.

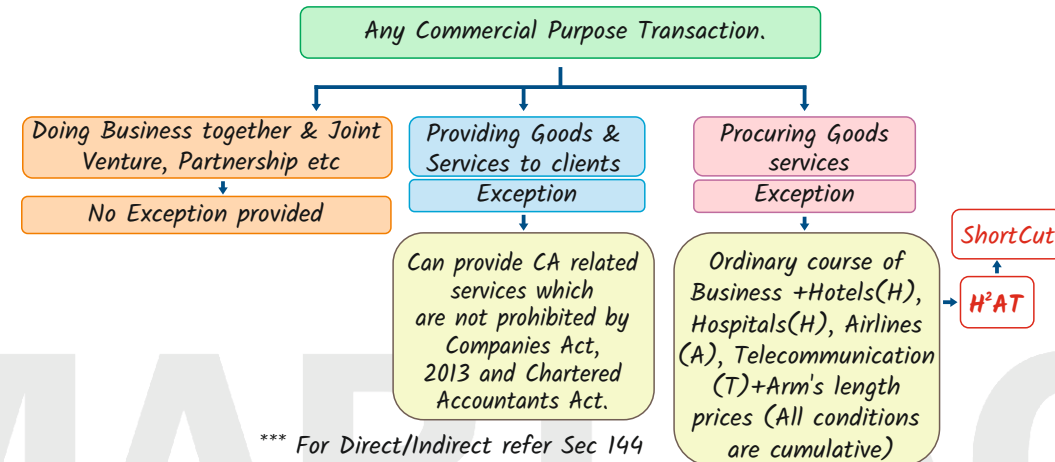


(CNO--CA.080) (QNO-CoAud.52)

SEC 141(3)(C) B-BUSINESS RELATION DISQUALIFICATION



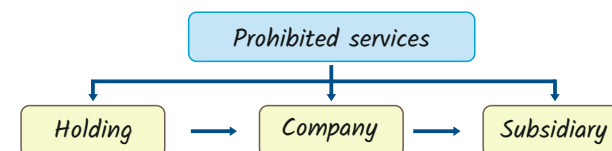
MEANING OF BUSINESS RELATIONSHIP(DIRECT/INDIRECT)



*** For Direct/Indirect refer Sec 144

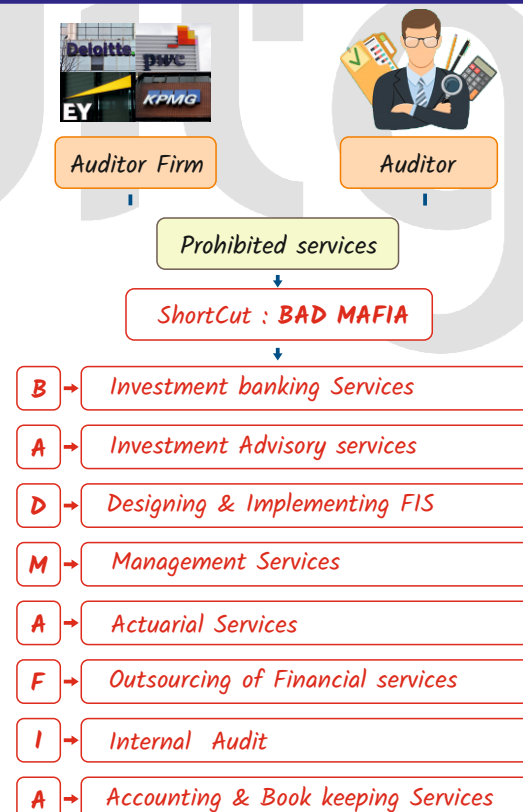
CNO--CA.080 (QNO-CoAud.61, 61.50) (MCQ-Incs.26.3)

SEC 141(3)(I) P-PROHIBITED SERVICES DISQUALIFICATION



CNO--CA.080

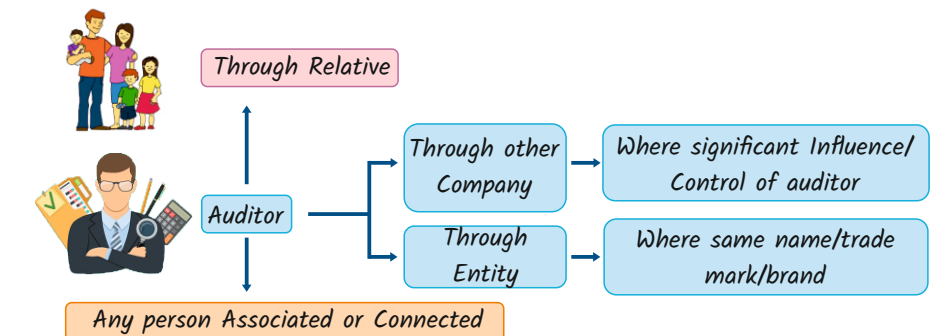
SEC 144 - AUDITOR NOT TO RENDER CERTAIN SERVICES



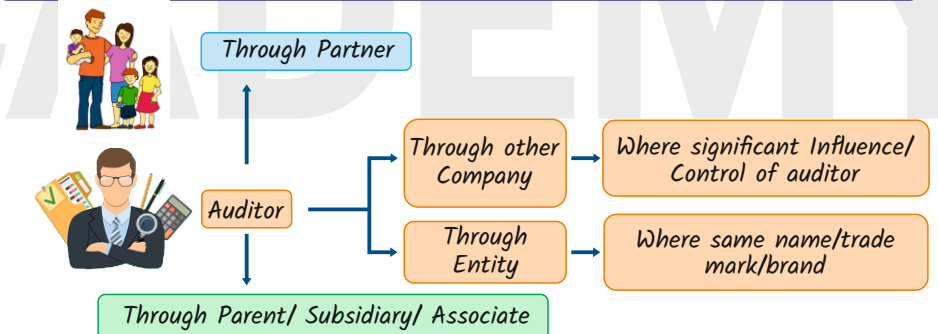
***Note: CA can give some services which are not covered in Section 144. Ex:- Tax, GST, Training. For any other service, prior approval of AC / BOD is required

CNO--CA.080

Meaning of directly or indirectly in case of Individual Auditor:

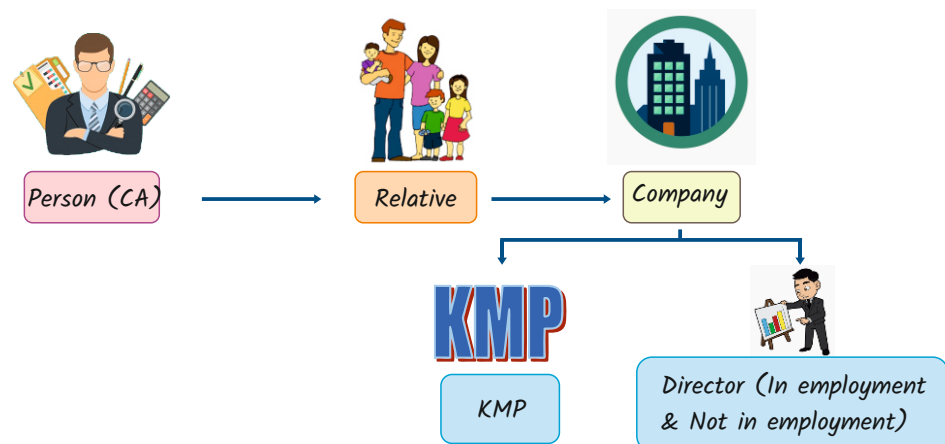
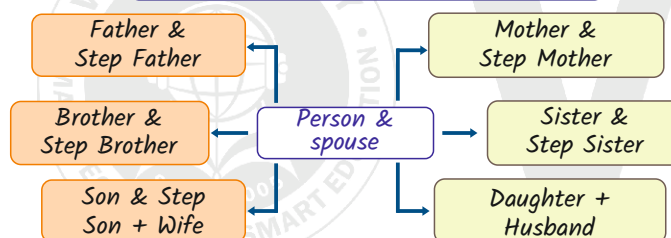


Prohibited services directly or indirectly in case of Audit Firm:

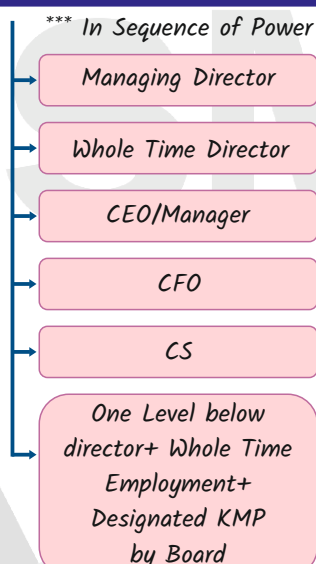


CA Ravi Taori
VSMART ACADEMY
Auditguru.in



SEC 141 (3)(f) R-RELATIVE IS DIRECTOR/KMP DISQUALIFICATION**Sec 2(77) - Definition of relative:**

***Note: Also HUF members if auditor has HUF (As per Income tax)

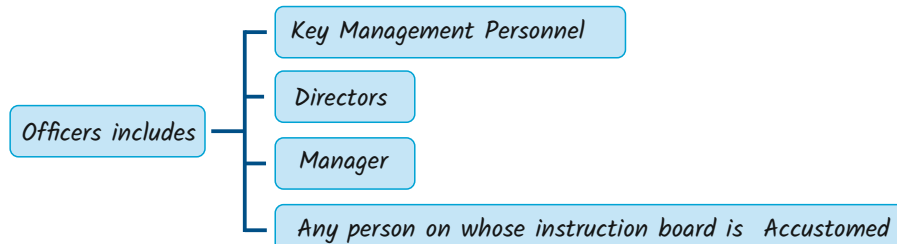
Sec 2(51) - KMP Means

CNO--CA.080

(QNO-CoAud.55, CoAud.56)

SEC 141(3)(b) O- OFFICERS & EMPLOYEES OF THAT COMPANY DISQUALIFICATION**SEC 141(3)(c) P-PARTNER OR EMPLOYEE OF OFFICER OR EMPLOYEE OF THAT COMPANY DISQUALIFICATION**

In sequence of power

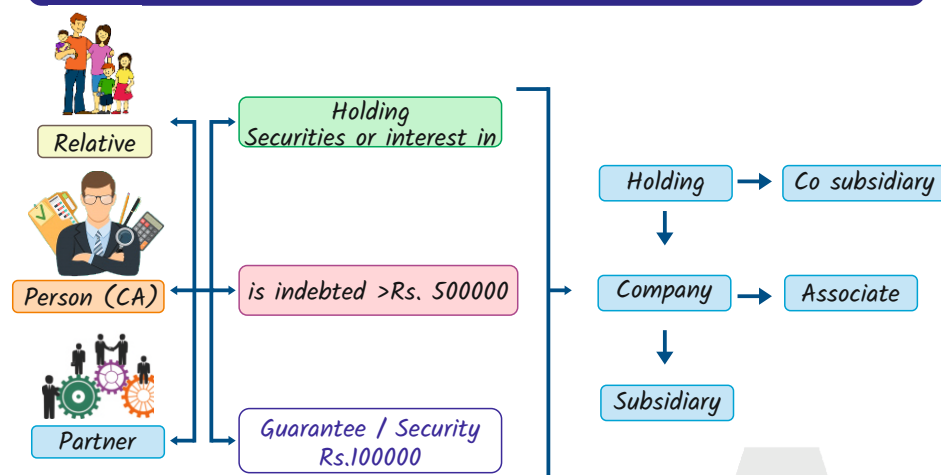


***Partners of Officers/ Employees are disqualified.

***Partners of Partners of Officers/ Employees are not disqualified.

***If any partner is disqualified, firm will get disqualified, but even if firm is disqualified, individual partner may be eligible.

Note : Director of holding cannot become auditor of subsidiary

SEC 141(3)(d) S-SECURITIES/ INDEBTEDNESS / GUARANTEE GIVEN DISQUALIFICATION

***No Disqualification if relatives holds any security & guarantee in the company of face value Rs.100000. Limit is cumulative for all relatives and COs taken together.

***In the event of acquiring any security or interest by a relative, above 100000, the corrective action to maintain the limits as specified above shall be taken by the auditor within 60 days of such acquisition

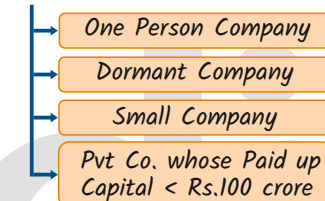
***All limits are cumulative eg. 1,00,000 is for all relatives taken together.

CNO--CA.080

(QNO-CoAud.57/CoAud.58) (MCQ-CA1.26, Incs.22.3)

C-Ceiling Limit

A person cannot hold appointment in more than 20 companies.

Exemptions while counting:

Full time employment : Limit zero

Part-time employment : Limit zero

Multiple Partner : 20*No. of partners (limit of 1 partner can not be used by other)

Partner in multiple firms : Total audit in the name one person not exceeding 20

***Solve problems as per limit 20 only, unless specified about guidelines.

CNO--CA.080

B-BODY CORPORATE

Body Corporate other than LLP.

CNO--CA.080

F-FRAUD

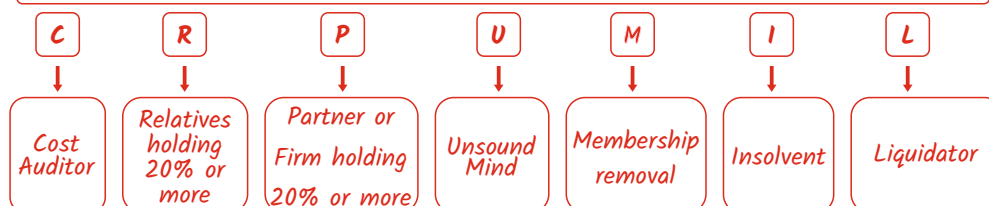
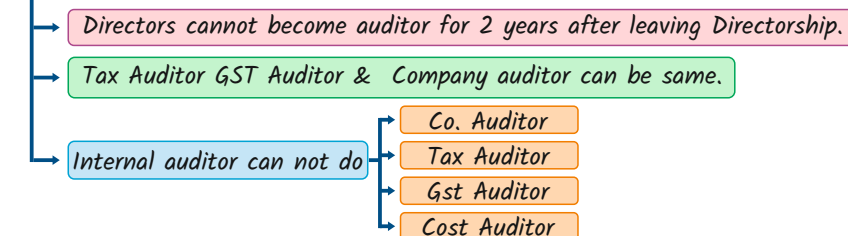
Convicted by court of offence involving fraud and a period of 10 years has not elapsed from date of conviction.

CNO--CA.080

(QNO-CoAud.51) (MCQ-CA1.12, CA1.37)

OTHER DISQUALIFICATIONS BY OTHER SECTIONS /CA ACT & GUIDELINES

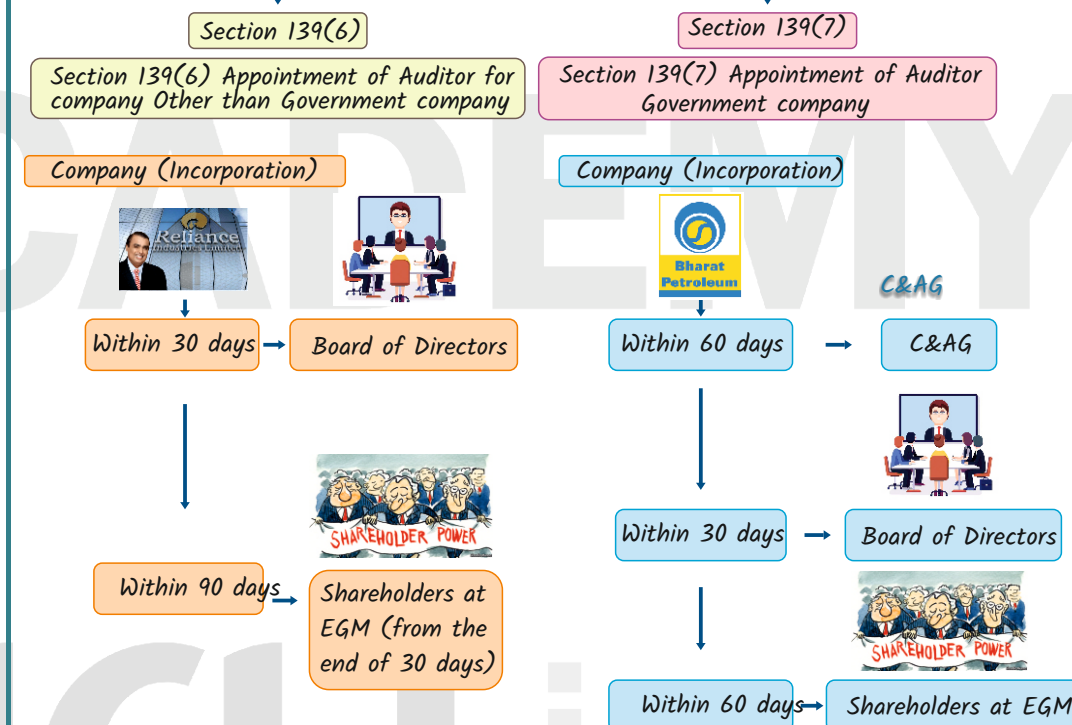
ShortCut- CAR RALLY is PLANNED UNANIMOUSLY on MELTING ICE with Liquidator.

**Announcement by ICAI:**

(CNO--CA.120)

(QNO-CoAud.17, CoAud.19/ CSSoAud.21)

(MCQ-Incs.22.1, Incs.22.5, CA1.5, CA1.7, CA1.10 CA1.11, CA1.21)

SEC 139 - APPOINTMENT OF AUDITOR AND ROTATION**APPOINTMENT OF FIRST AUDITOR**

Following are not proper appointments of first Auditor

	Other than Government Company
By MD/WTD	X
Power delegated to MD	X
By AOA or MOA	X

Power to appoint auditor cannot be delegated.General rule applicable to all appointments.



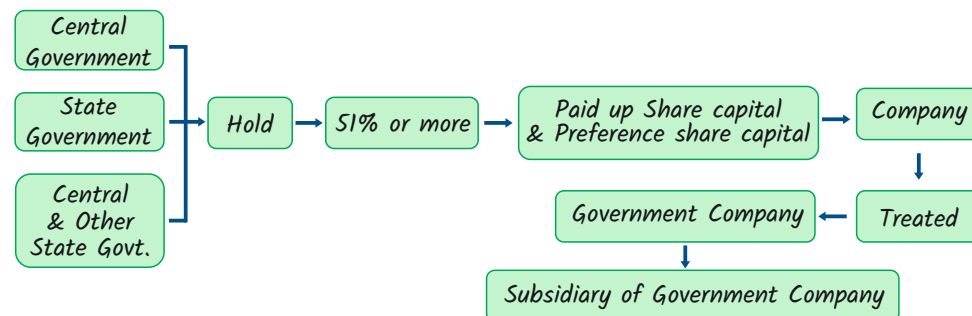
CA Vishal Bhattad's
VSMART ACADEMY
Auditguru.in

CA Ravi Taori

Doubts

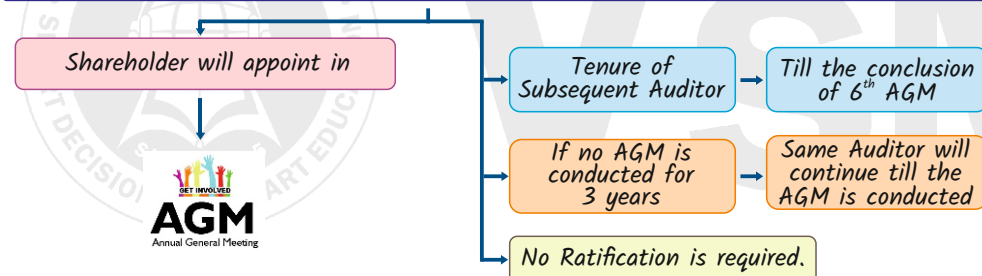


Telegram

Sec 2 (45) - DeFinition of Government Company

***Paid up Share Capital shall mean total voting power where shares with differential rights are issued

CNO--CA.140 (QNO-CoAud.17, CoAud.05/CoAud.09/ CoAud.74)(MCQ-CA1.1, CA1.23,CA1.29, Incs.20.1)

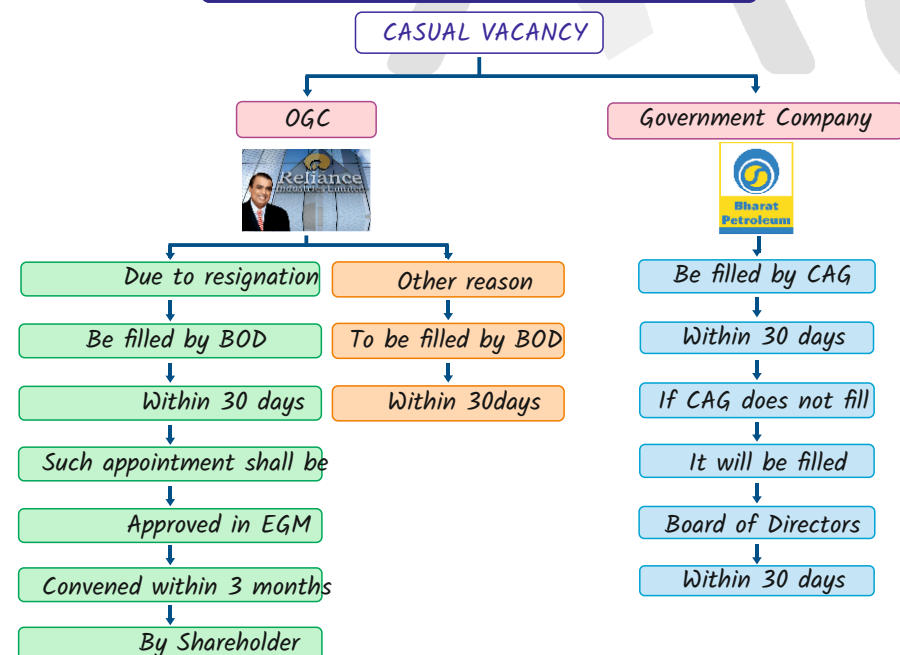
SUBSEQUENT AUDITORS**Sec 139(1) - Appointment in Other than Government Company:(OGC)**

CNO--CA.140 (QNO-CoAud.25)(Incs.20.3)

Sec 139(5) - APPOINTMENT IN GOVERNMENT COMPANY (GC)

CAG → within 180 days from start of Financial year → Tenure upto conclusion of next AGM

CNO--CA.160 (QNO-CoAud.27/ CoAud.29/ CoAud.31/CoAud.35) (MCQ-CA1.3)

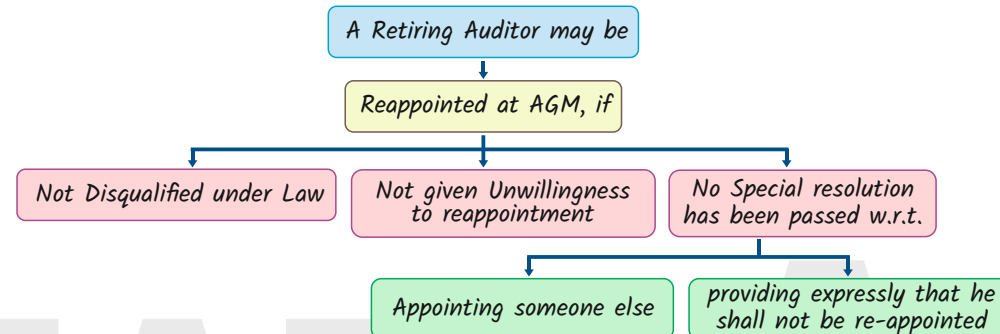
SEC 139(8) - CASUAL VACANCY

***Casual Vacancy : Vacancy after proper appointment before end of tenure

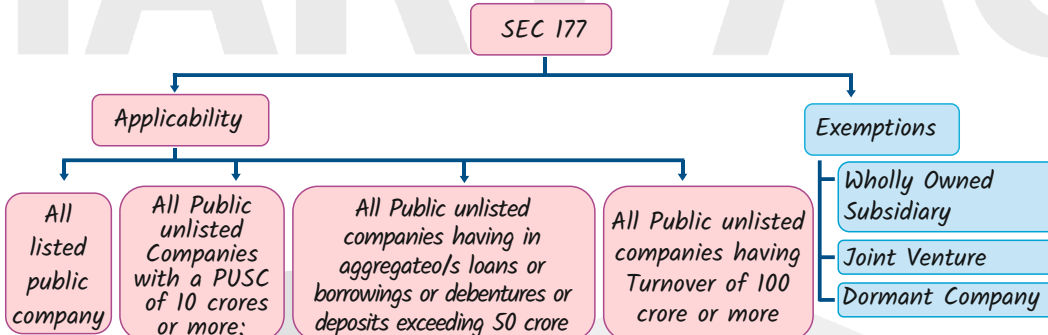
***Special Case : Improper appointment - Void ab Intio - Not a Casual Vacancy

SEC 139(10) - AUTOMATIC REAPPOINTMENT

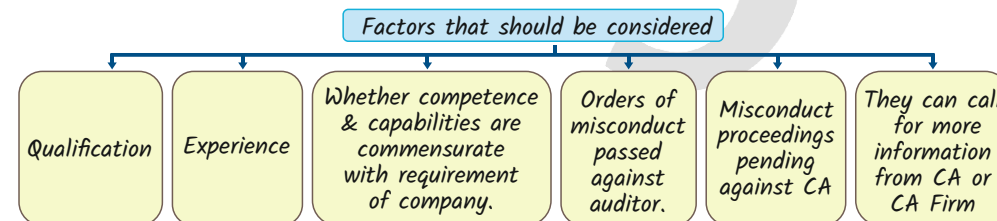
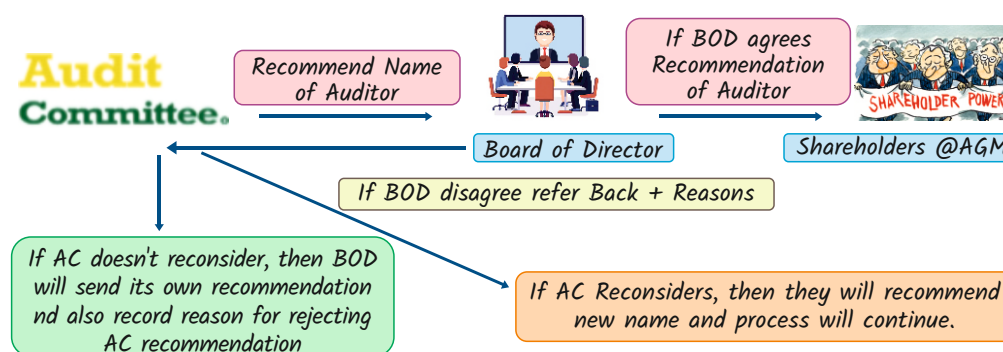
CNO--CA.180

SEC 139(9) - REAPPOINTMENT OF AUDITOR

CNO--CA.180

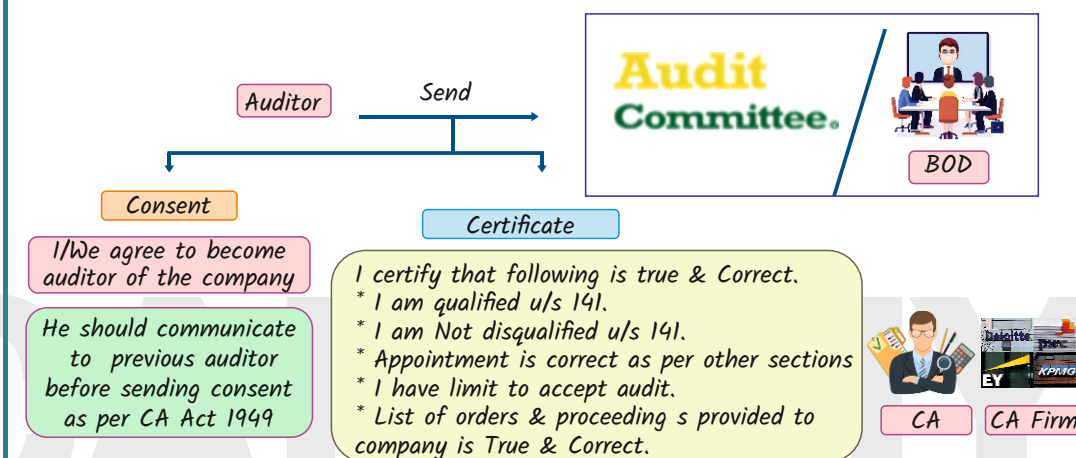
AUDIT COMMITTEE

CNO--CA.180 (QNO-CoAud.03/ CoAud.04, CoAud.11, CoAud.11/ CoAud.84) (MCQ-CA1.8, CA1.13, CA1.33, CA1.34, Incs.20.4, 20.5, Incs.28.1)

PROCEDURE FOR APPOINTMENT OF AUDITOR**STEP I Selection and Recommendation of Auditor****SELECTION BY AUDIT COMMITTEE / BOD AS THE CASE MAY BE****RECOMMENDATION PROCESS (AUDIT COMMITTEE- APPLICABLE)****RECOMMENDATION PROCESS (AUDIT COMMITTEE - NOT APPLICABLE)**

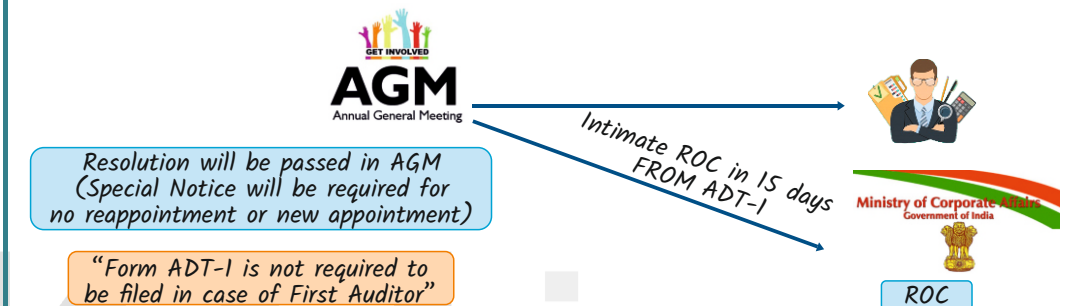
CNO--CA.180

QNO- CoAud.05/CoAud.11

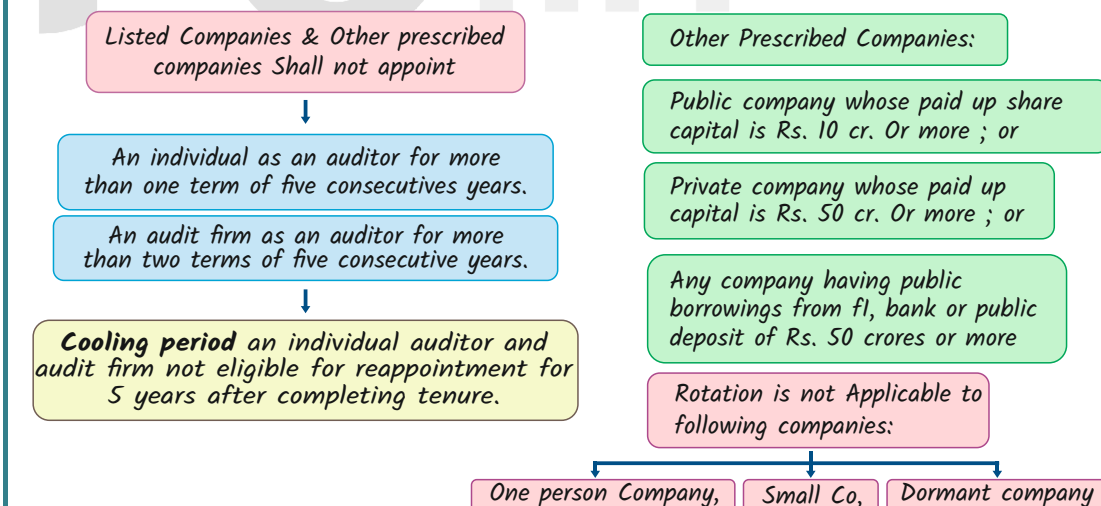
STEP 2 Consent & Certificate

CNO--CA.180

(QNO-CoAud.05/CoAud.11)(MCQ-Incs.04.1, Incs.12.1)

STEP 3 Resolution at AGM & Intimation of Appointment

CNO--CA.200 (QNO-CoAud.15, CoAud.13, CoAud.05/CoAud.07, CoAud.15) (MCQ-CA1.24,CA1.25, Incs.20.2)

SEC 139(2) - ROTATION OF AUDITOR

CA Vishal Bhattad's
VSMART ACADEMY
Auditguru.in

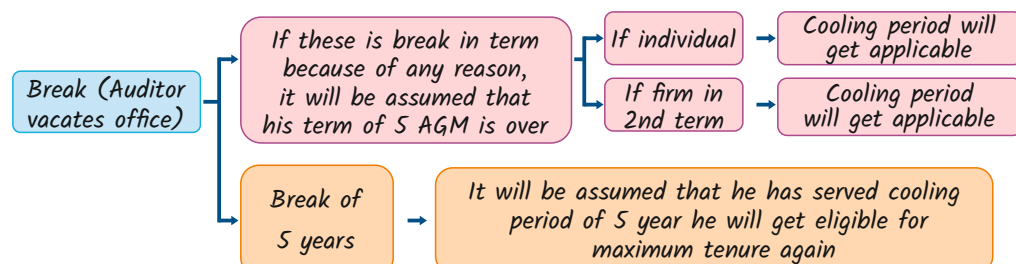
CA Ravi Taori

Doubts

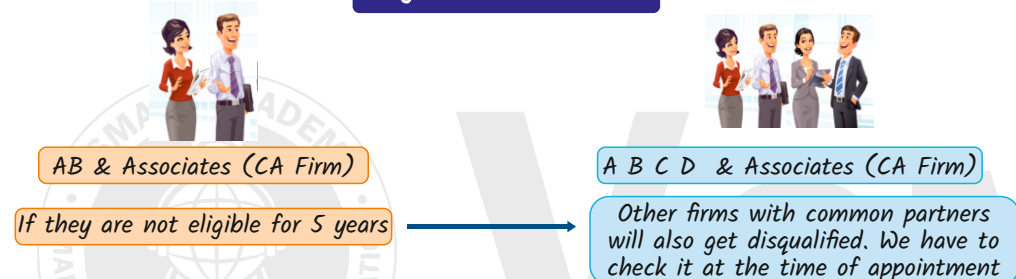


Telegram

Rotation of Auditor 139(2) & Rule 6 of CAAR



Key Point 1 (Delhi)



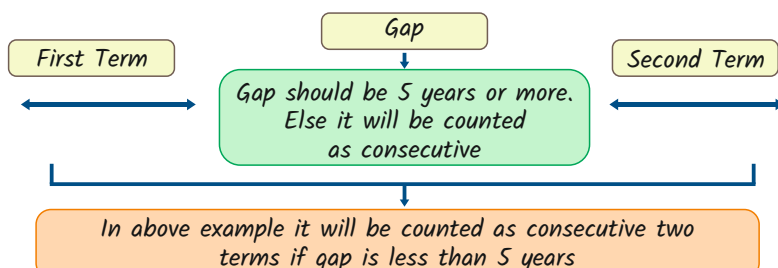
Key Point 2 (Kolkata)



Key Point 3 (Chennai)

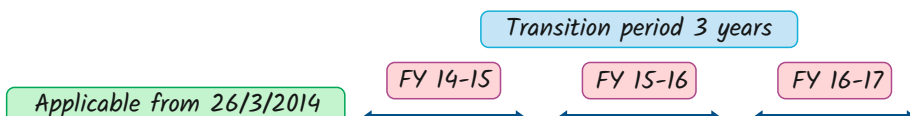


Key Point 4 Bengaluru

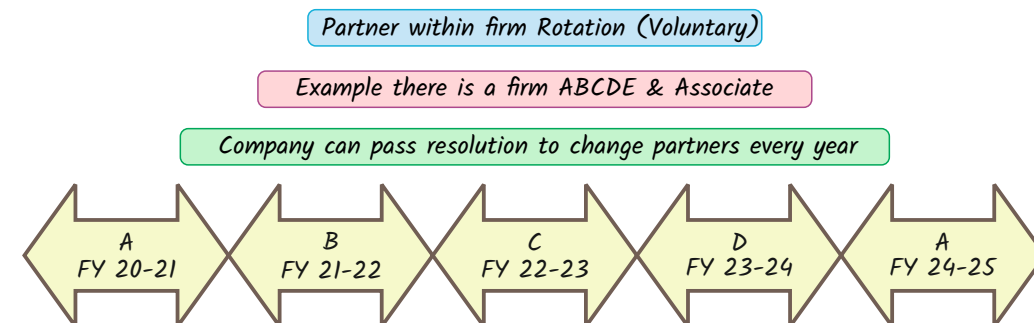


Key Point 5 (Mumbai)

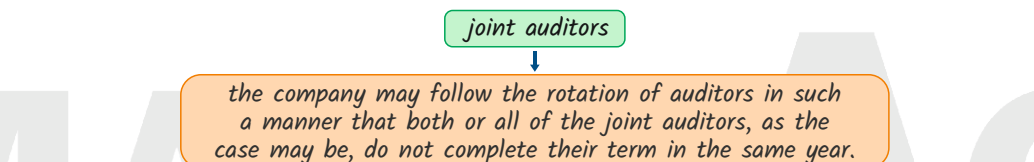
Number of years completed before company act 2013 become applicable will be counted



Key Point 6 (Jaipur)



Key Point 7 (Jammu)

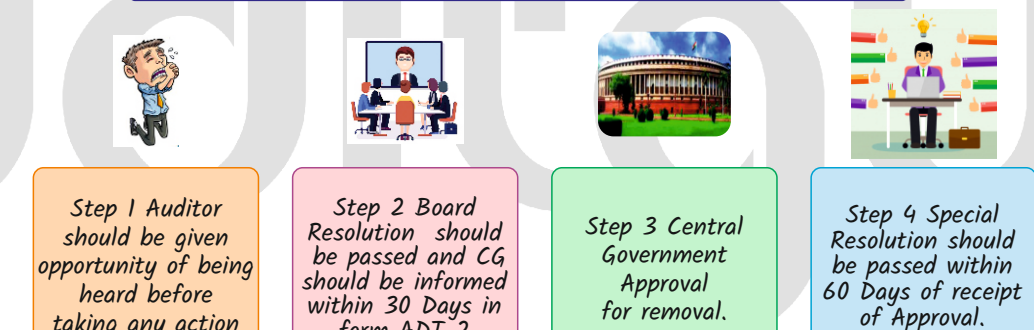


(QNO-COA.43.50)(MCQ-CA1.2,CA1.17,CA1.22)

SEC 140 - REMOVAL & RESIGNATION

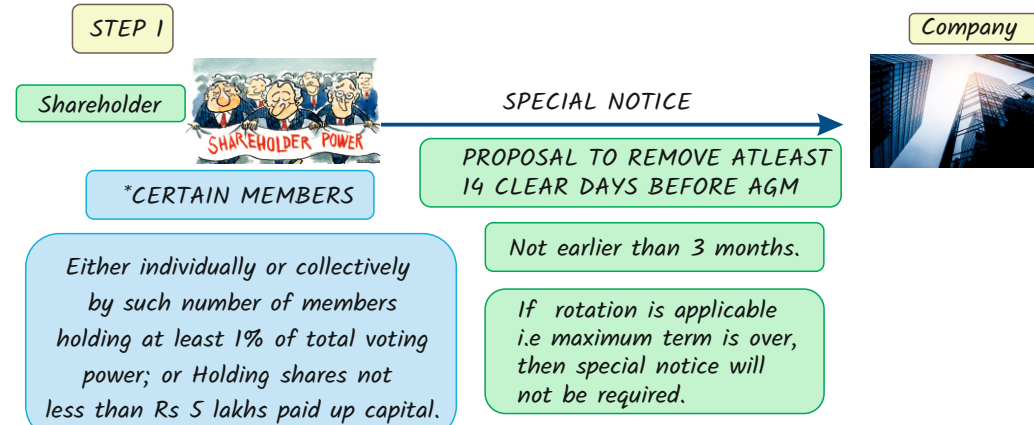


REMOVAL BEFORE AGM - Sec 140 (1) & CAAR Rule 7



(QNO CoAud.43)

SEC 140 (4) - REMOVAL OF AUDITOR AT AGM -

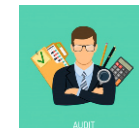


STEP 2



Company

IMMEDIATELY SEND COPY OF SPECIAL NOTICE



Auditor

STEP 3



Company

AUDITOR WILL SEND REPRESENTATION LETTER OF REASONABLE LENGTH (SHOULD NOT BE USED FOR NEEDLESS PUBLICITY OR DEFAMING COMPANY)



Auditor

Complaint to NCLT - Right is abused by auditor - if NCLT satisfied - Stop Circulation

STEP 4



Company

SEND COPY OF "SPECIAL NOTICE" AT LEAST 7 DAYS BEFORE MEETING

+ SPECIFY THAT REPRESENTATION IS MADE + COPY OF REPRESENTATION BY AUDITOR



Shareholder

If representation is not circulated because received too late or because of mistake of company- It should be read at AGM & Copy should be sent to ROC

STEP 5



AGM

Resolution will be passed in AGM



AUDITOR REMOVED

***IMPORTANT OBSERVATIONS

(a) Procedures of section 140(4) are applicable in following cases (Removal)

1. No re appointment of retiring auditor at AGM

2. Appointing auditor other than retiring auditor at AGM

(b) Reconstitution of audit firm does not mean automatic removal of auditor. If there is dissolution then it means removal.

(c) If any of the joint auditor is not re-appointed then it will lead to removal of that joint auditor and section 140(4) will be applicable



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ACADEMY
Auditguru.in

CA Ravi Taori

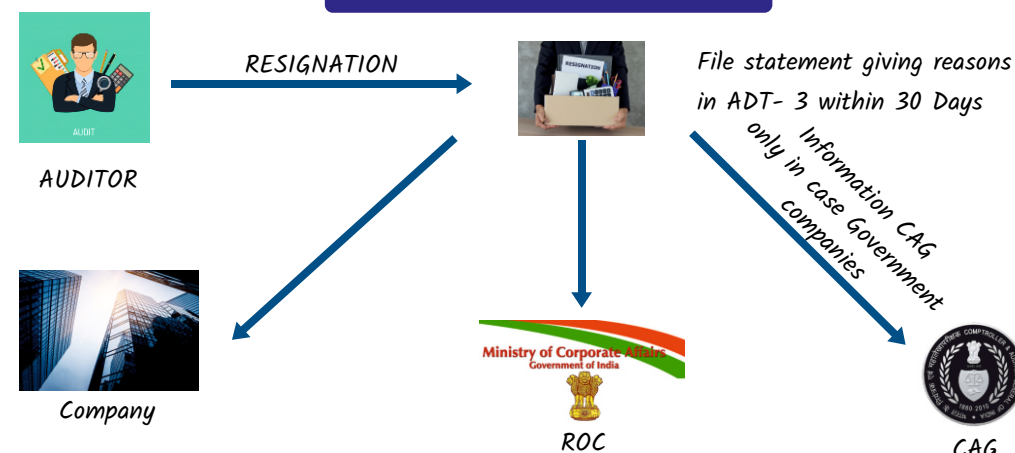


Doubts



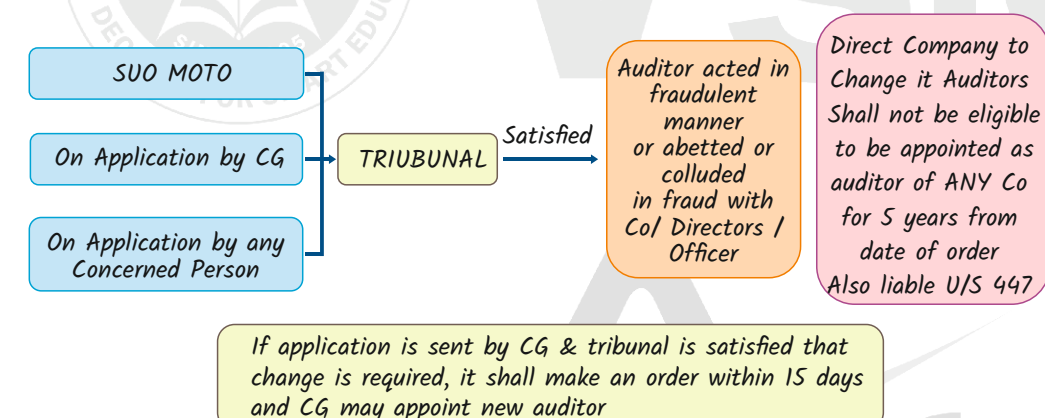
Telegram

CNO--CA.220 (QNO-CoAud.35/ CoAud.45) (MCQ-CA1.22, Incs.28.2, 28.3, CA1.6)

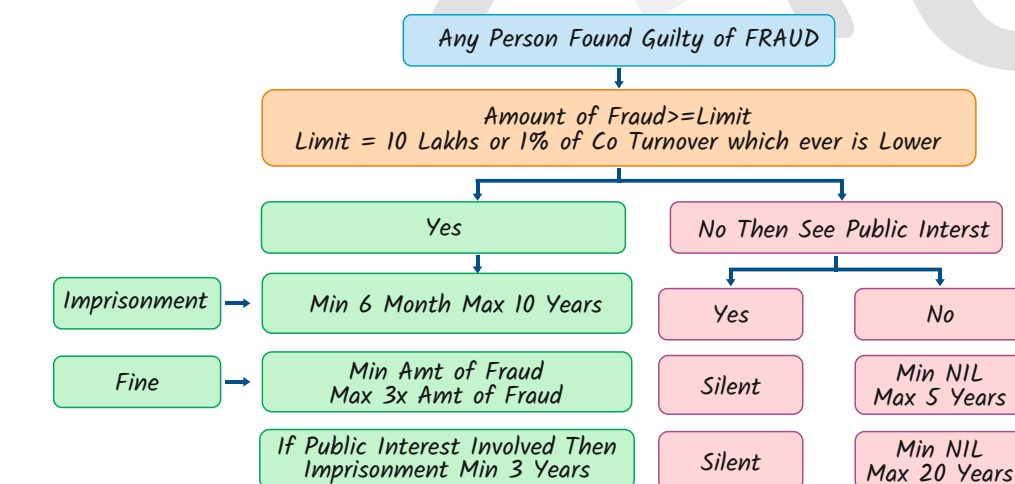
SEC 140 (2) - RESIGNATION

Penalty :-(a) Non-Compliance will lead to penalty of 50,000 or remuneration of auditor whichever is lower (b) In case of continuing failure, with a further penalty of 500 per day

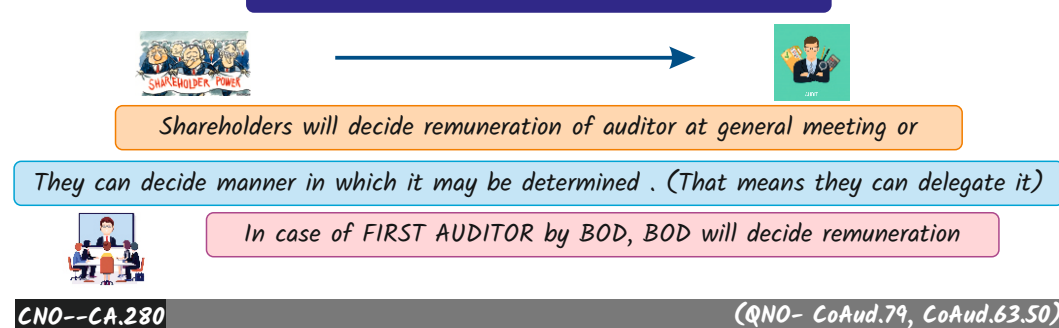
CNO--CA.220 (MCQ-Incs.28.4)

SEC 140 (5) - REMOVAL BY TRIBUNAL

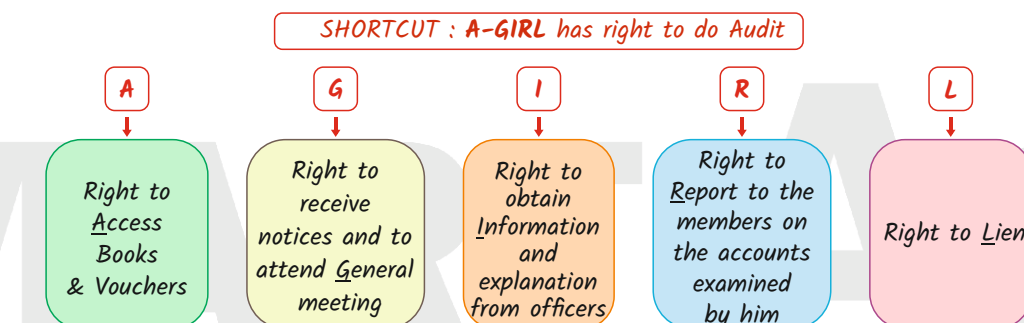
CNO--CA.220

SECTION 447 PUNISHMENT FOR FRAUD

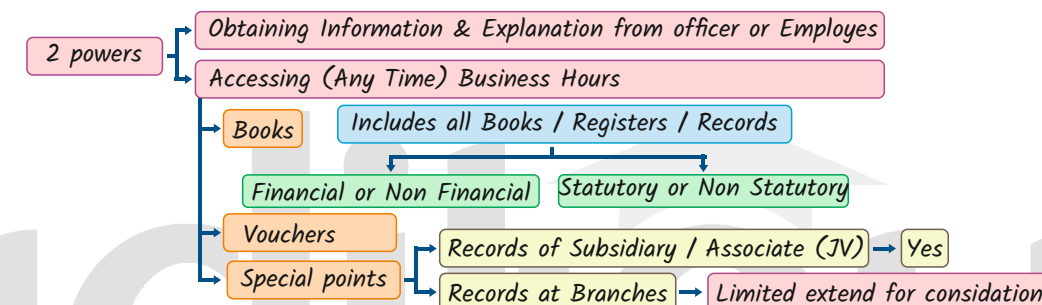
CNO--CA.240 (QNO-CoAud.64) (MCQ-CA1.15, CA1.31, Incs.28.5)

SEC 142 (1) & (2) - REMUNERATION -

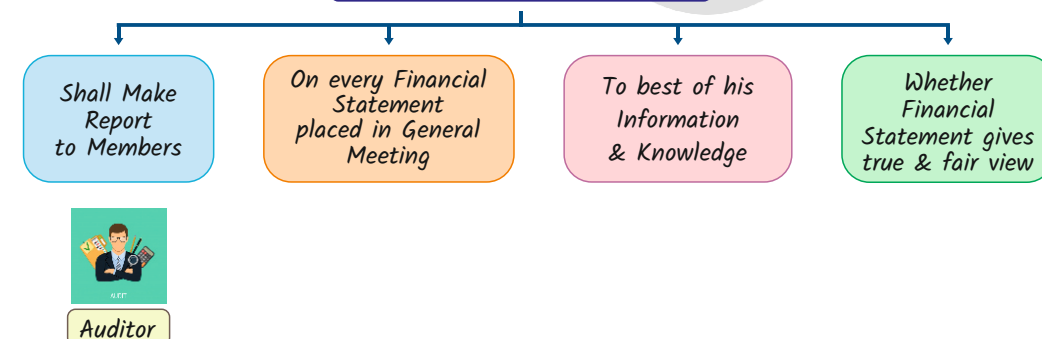
CNO--CA.280 (QNO- CoAud.79, CoAud.63.50)

RIGHTS OF AUDITOR

CNO--CA.280

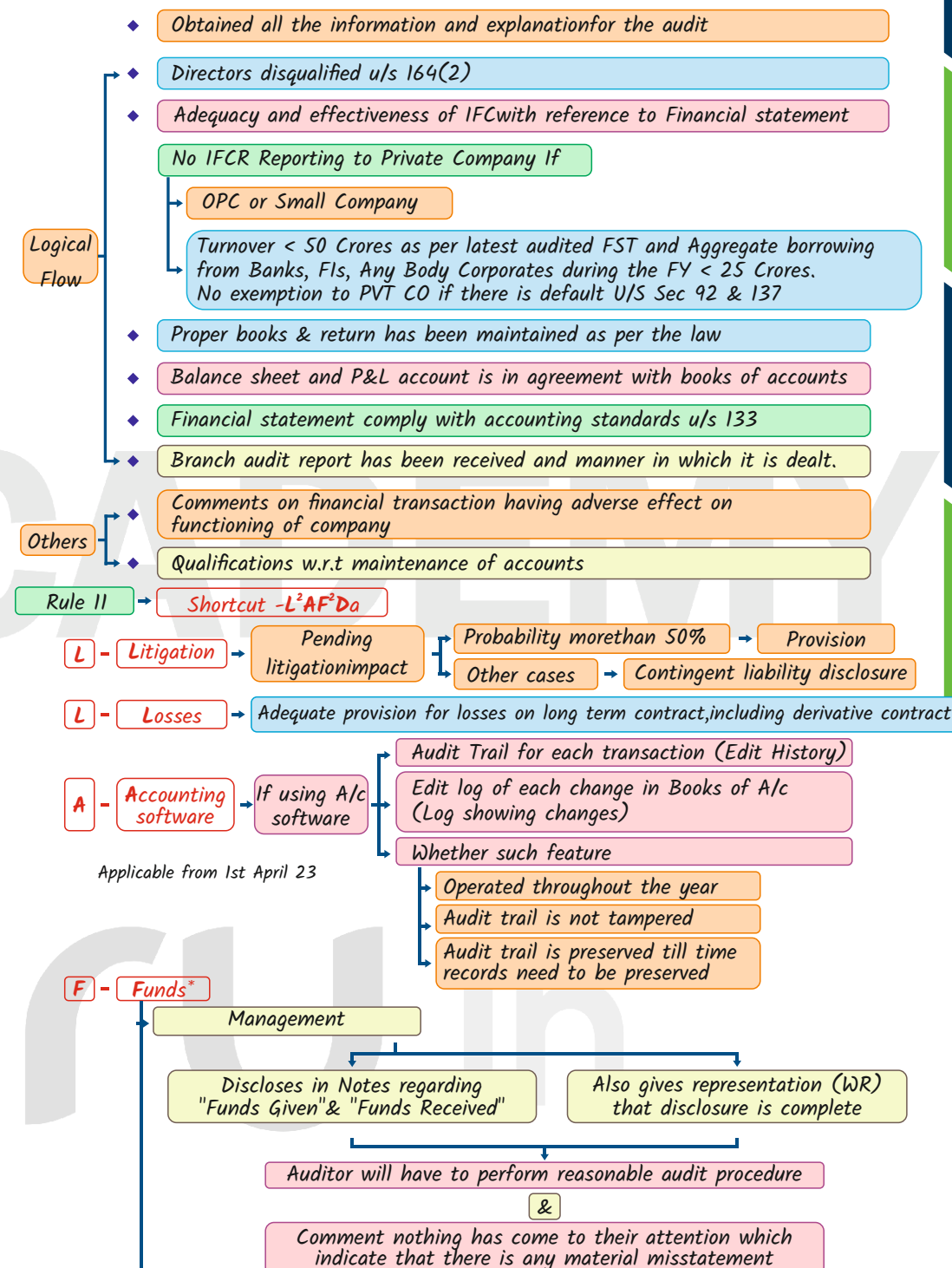
SEC 143(1) (HALF PART)

CNO--CA.300 (QNO-CoAud.63/ CoAud.65/ CoAud.66/ CoAud.67/ CoAud.69/ CoAud.83) (MCQ-Incs.22.4, Incs.54.2)

SEC 143 (2)**MAKING AUDIT REPORT**

Auditor

CNO--CA.300 (QNO-CoAud.70/CoAud.71/CoAud.72/ CoAud.73.50) (MCQ-CA1.34)

SEC 143 (3) - MATTERS TO BE INCORPORATED IN AUDIT REPORT (Compulsory to report on all matters unless Not Applicable)

Applicable from 1st April 23

Continue On Next Page...



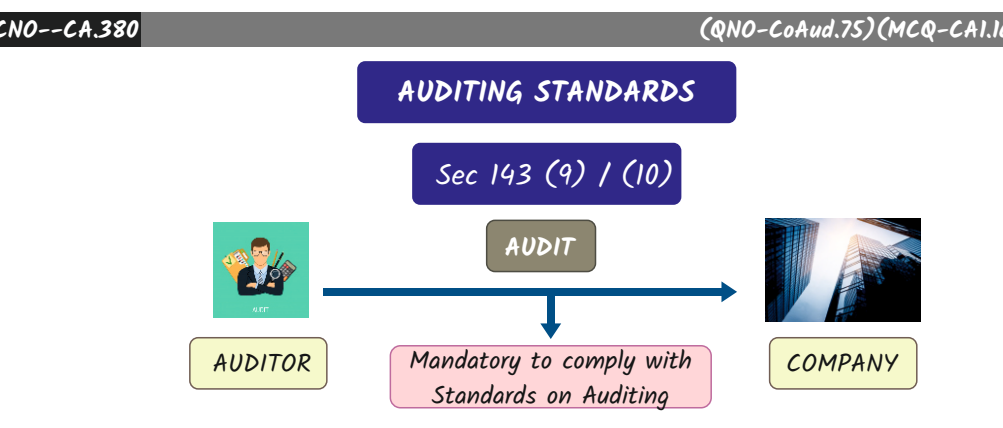
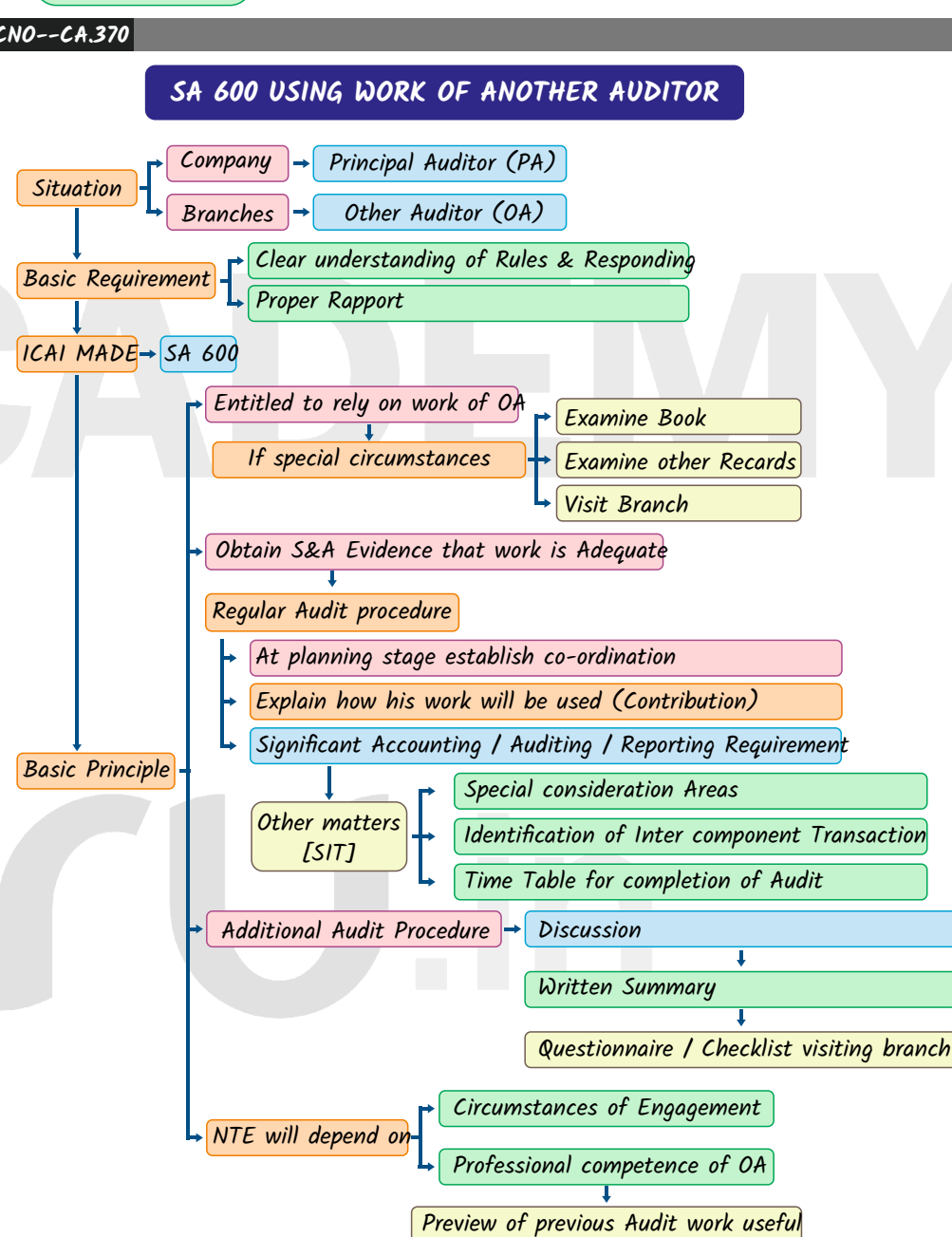
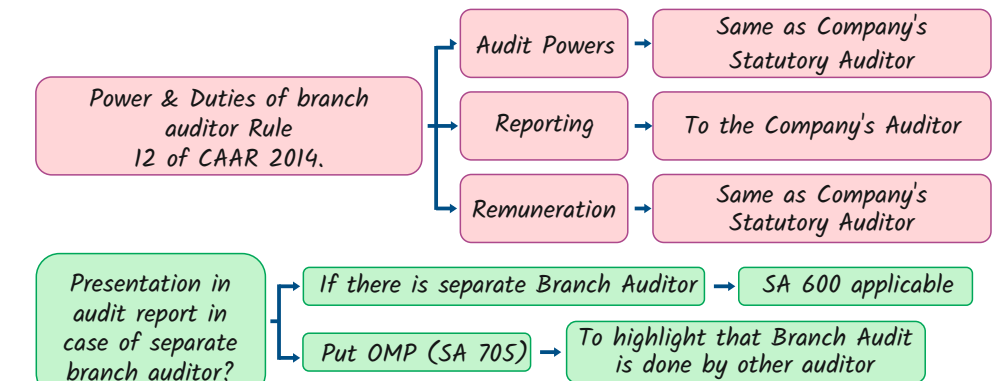
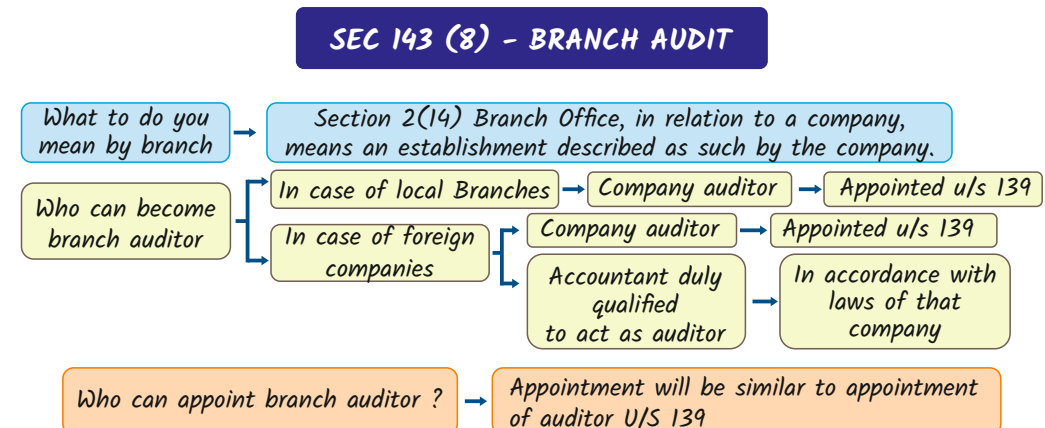
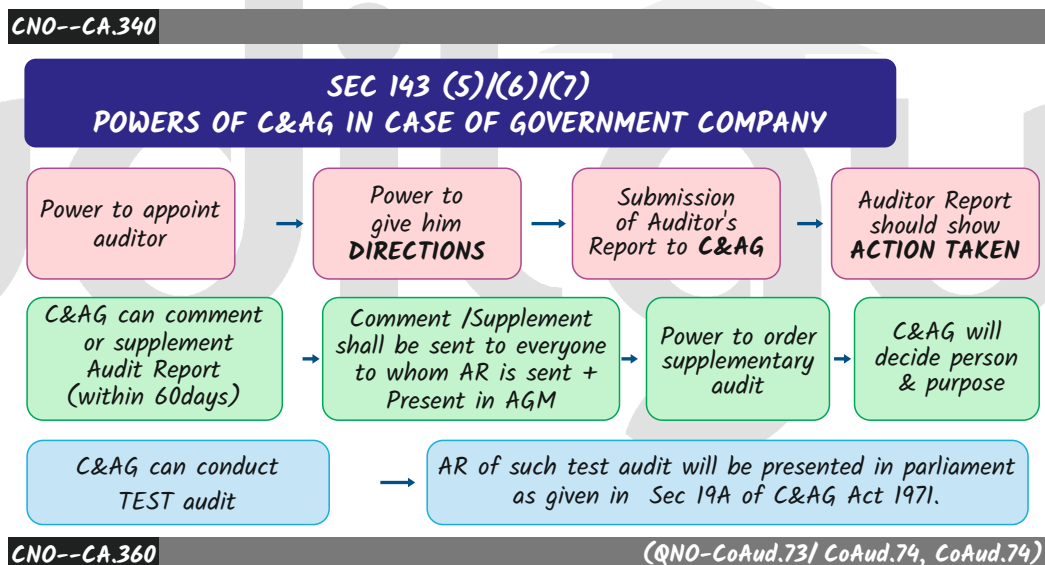
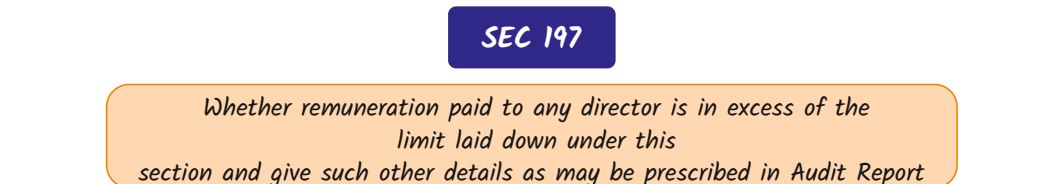
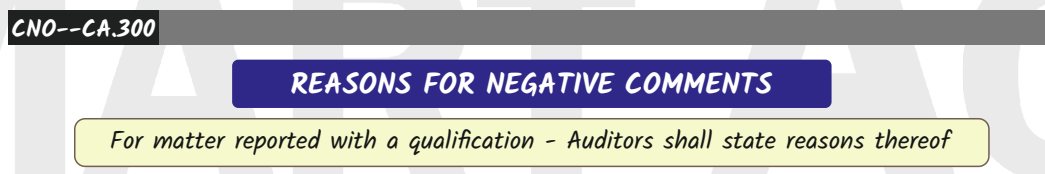
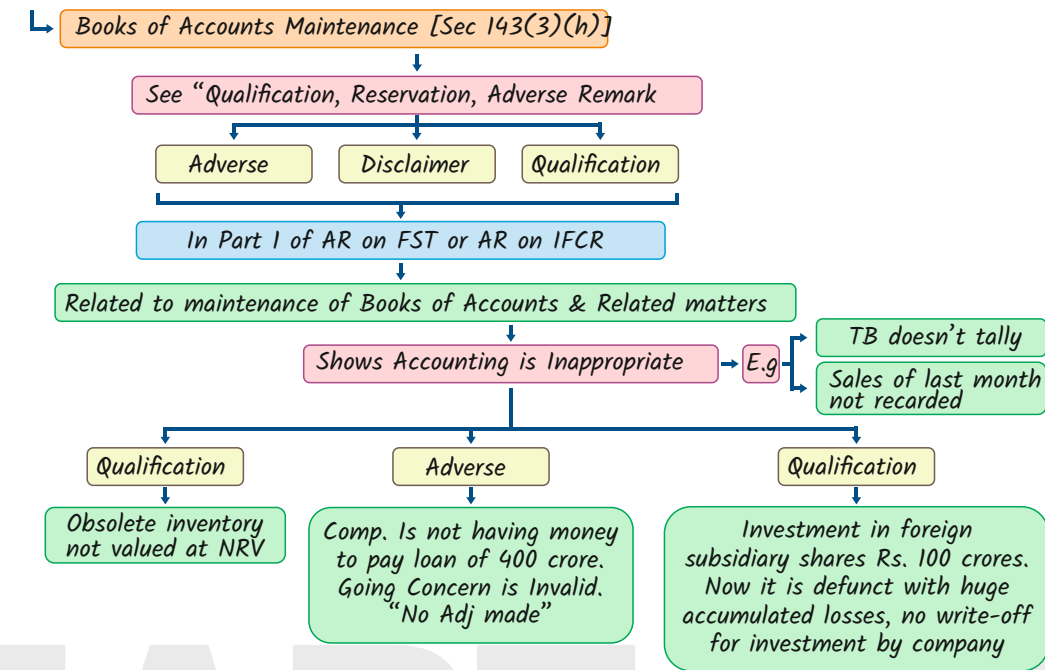
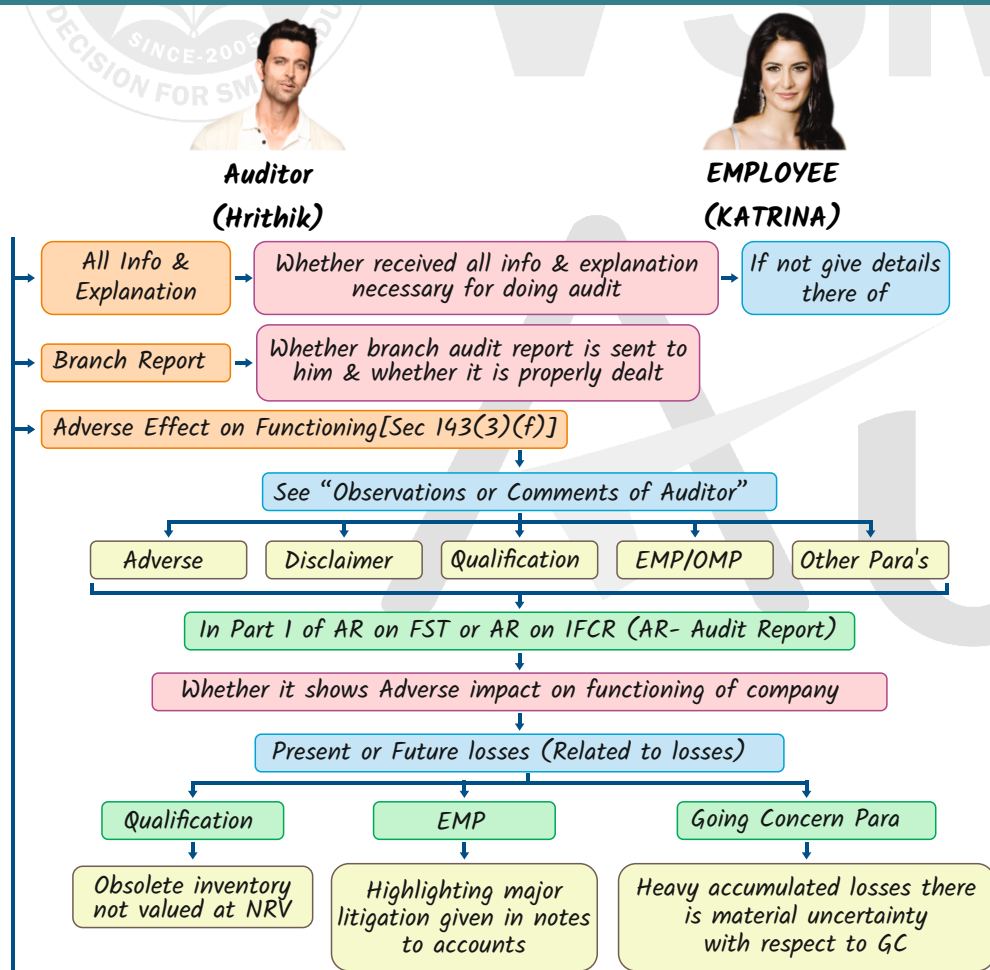
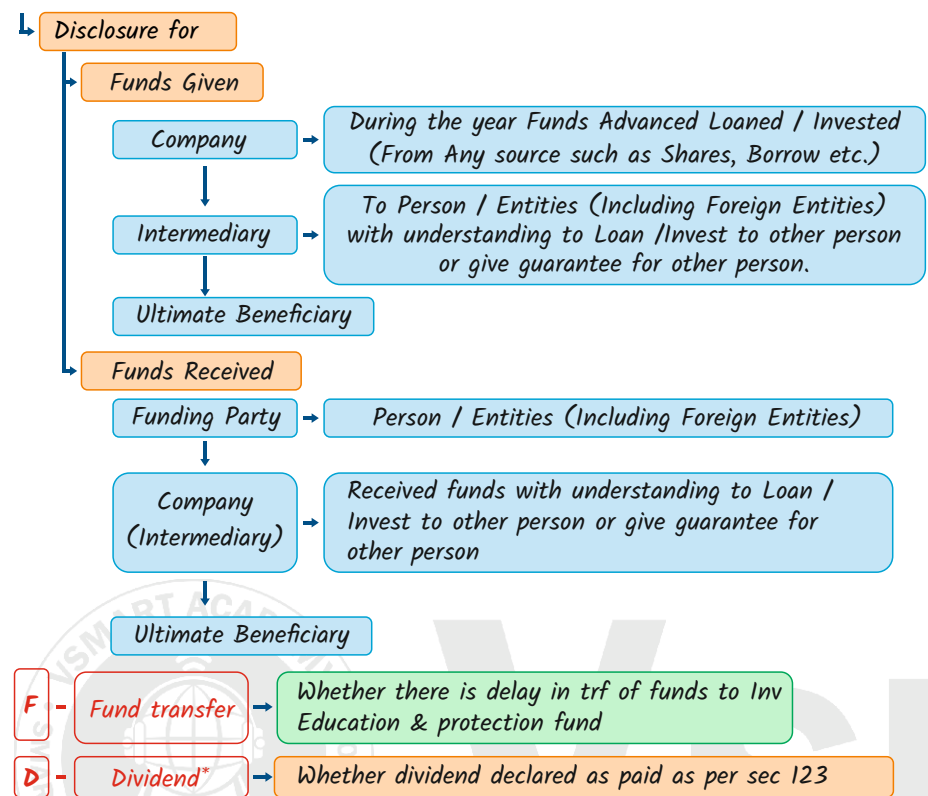
CA Vishal Bhattad's
VSMART ACADEMY
Auditguru.in

CA Ravi Taori

Doubts



Telegram

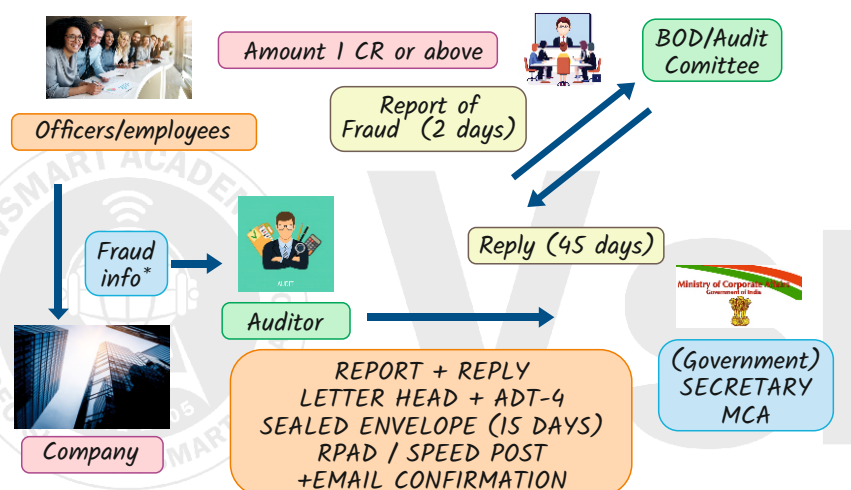


STANDARD APPROVAL PROCESS



CNO--CA.420 (QNO-CoAud.76) (MCQ-CA1.9, CA1.27, CA1.28, CA1.36, Incs.04.3, Incs.07.3, Incs.12.3, Incs.46.3, Incs.54.3, Incs.57.3, Incs.57.4)

DUTY TO REPORT ON FRAUDS U/S 143(12)



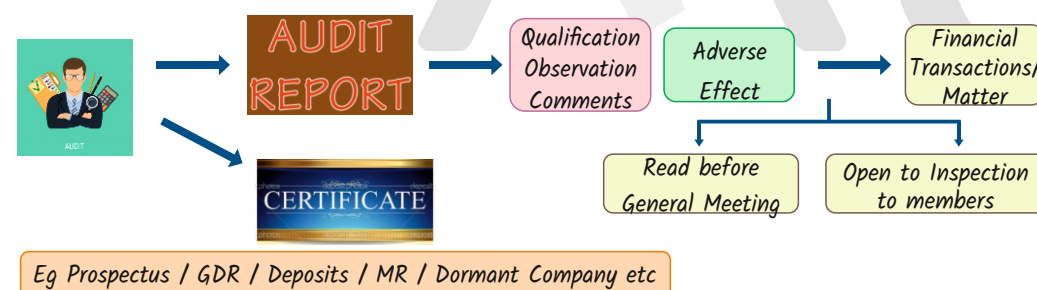
- ◆ Reason to believe that fraud is being committed / already committed
- ◆ Also applicable to Cost Auditor (CMA) & Company Secretary (CS)
- ◆ Will not be considered as breach of principle of confidentiality

*For listed company Rs. 5,00,000 For any other company Rs.1,00,000

CNO--CA.440 (QNO-CoAud.49/ CoAud.78)

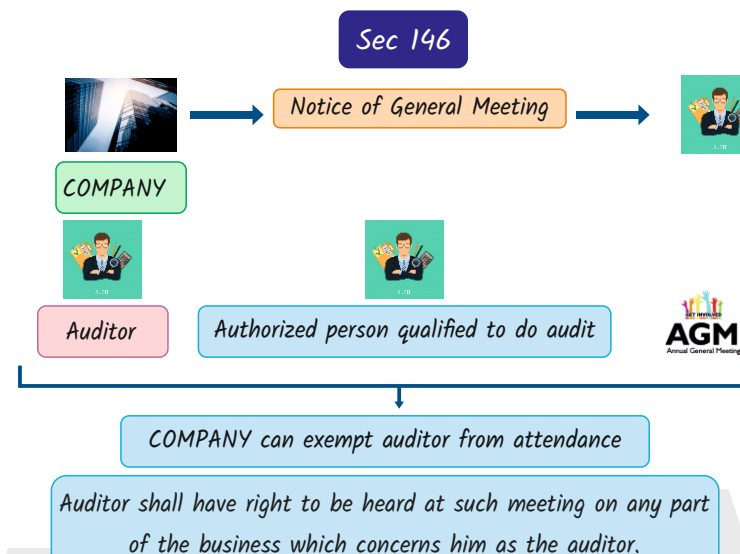
SIGNING AUDIT REPORT

Sec 145



CNO--CA.460

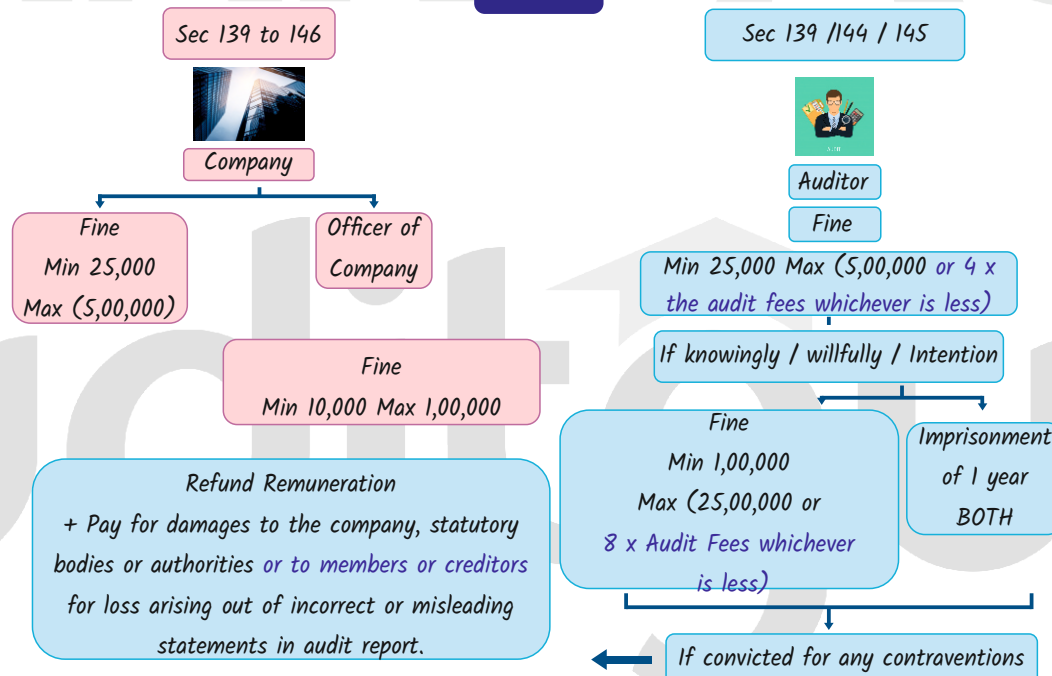
ATTENDING GENERAL MEETING



CNO--CA.480

PENALTIES

Sec 147



(CNO--COST.020)

(QNO-CoAud.81.50, CoAud.80,)

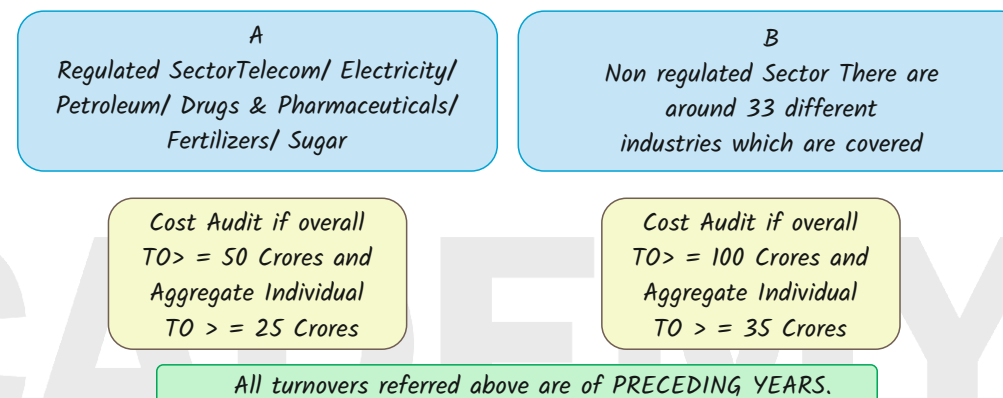
Part 2 - Cost Audit

APPLICABILITY OF COST RECORD & AUDIT

Provisions of sec 148 & cost audit rules

Cost records are mandatory to all companies including foreign companies Engaged in production of goods or providing services

Cost Records if overall
To > = 35 Crores



Shortcut to Remember Industries in Regulated Sector SET - PDF

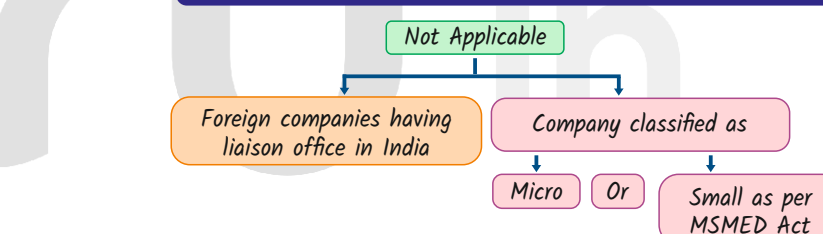


NOTE: Cost Records / Cost Audit will not be applicable in first year of newly formed Company.

(CNO--COST.020)

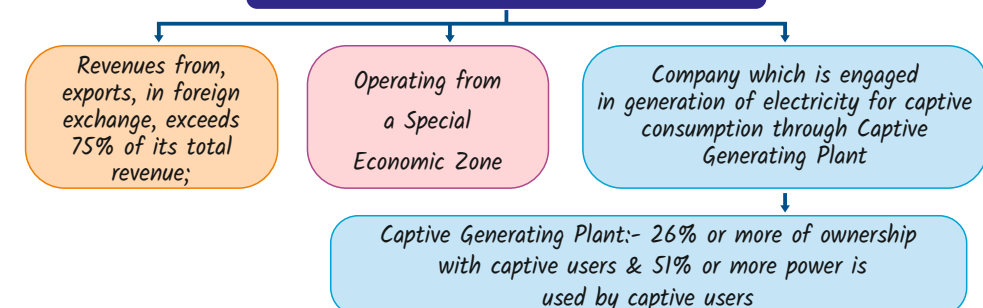
(CoAud.82/CoAud.82.50)

EXEMPTIONS FROM COST AUDIT RECORDS

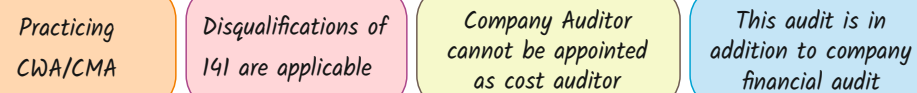


(CNO--COST.020)

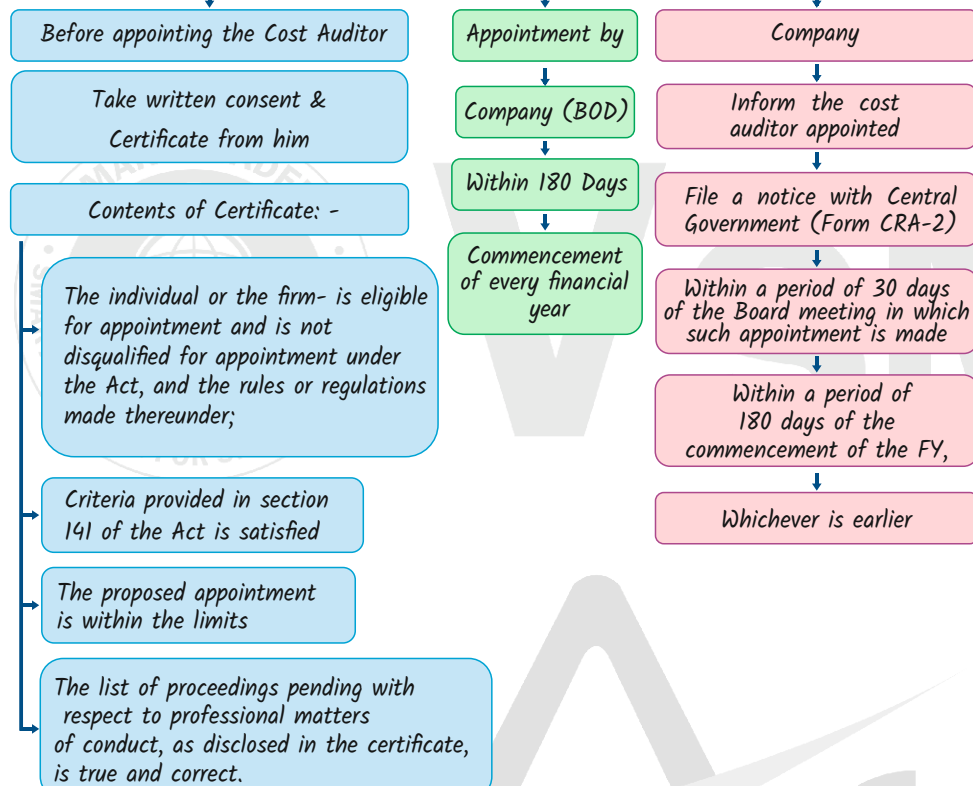
EXEMPTIONS FROM COST AUDIT



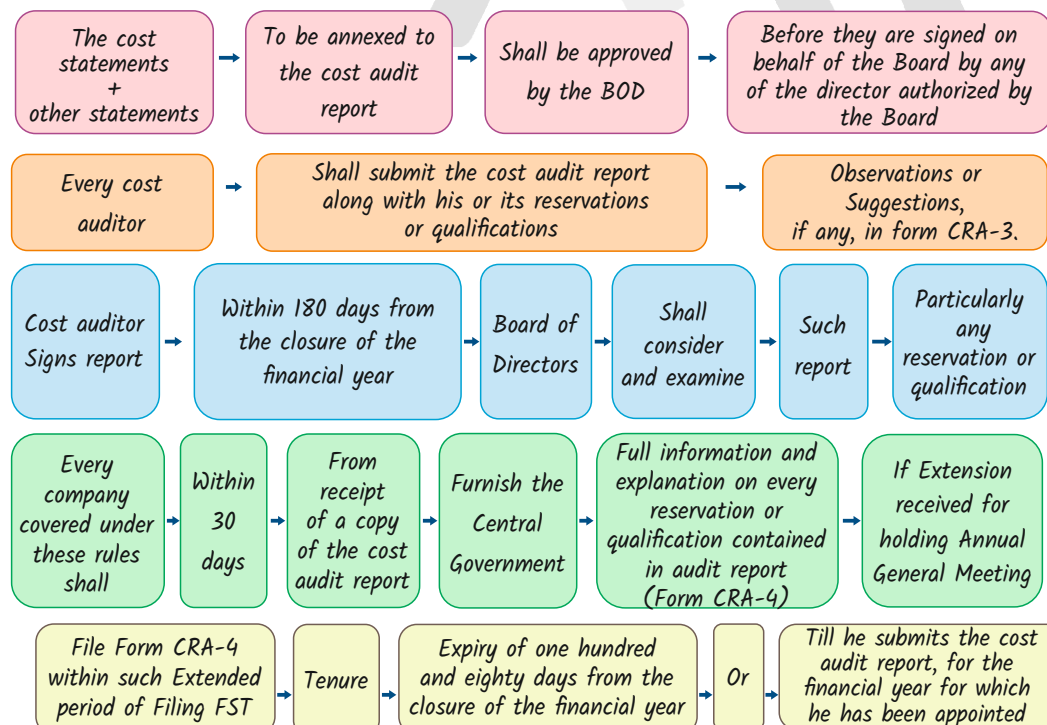
WHO CAN DO COST AUDIT ?



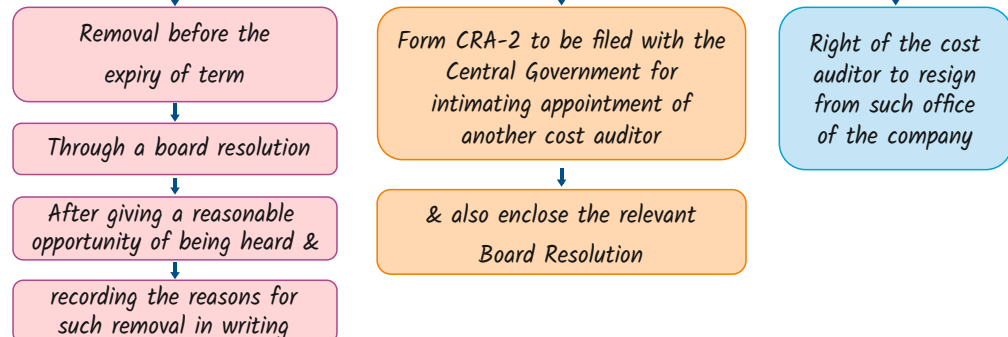
APPOINTMENT OF COST AUDITOR



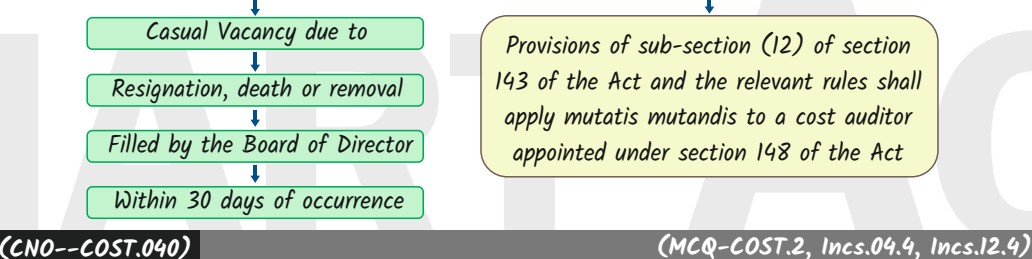
COST AUDIT REPORT



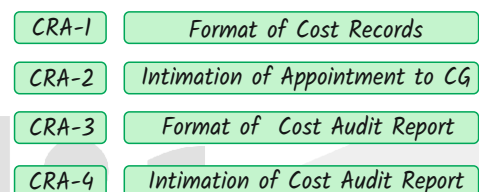
REMOVAL & RESIGNATION OF COST AUDITOR



CASUAL VACANCY OF COST AUDITOR

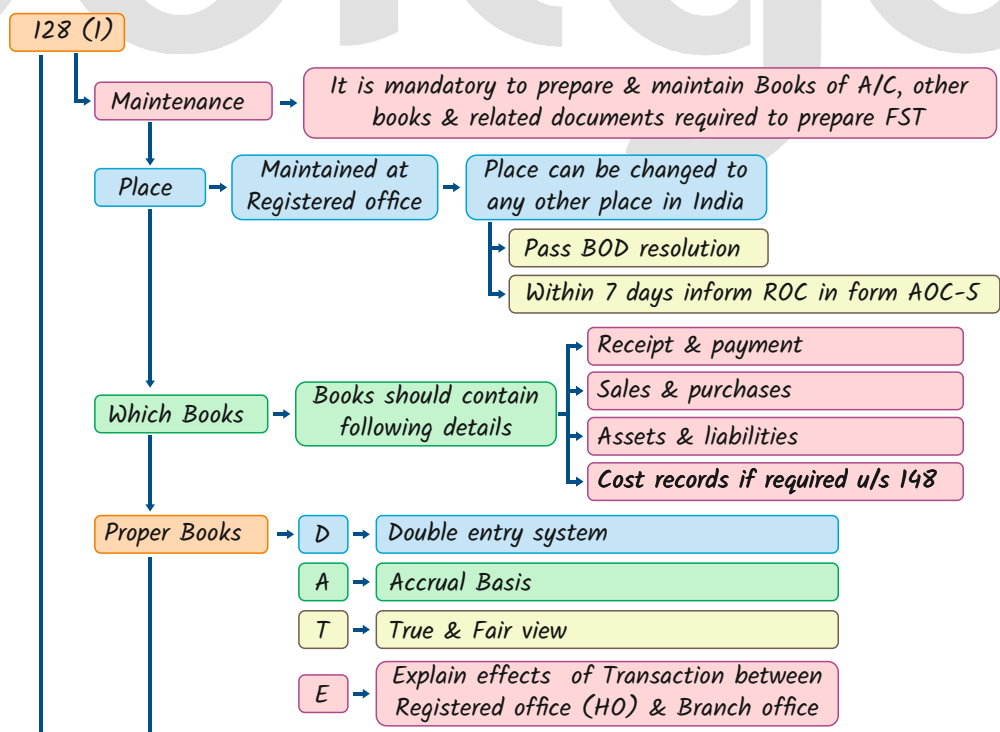


COST AUDIT RELATED FORMS

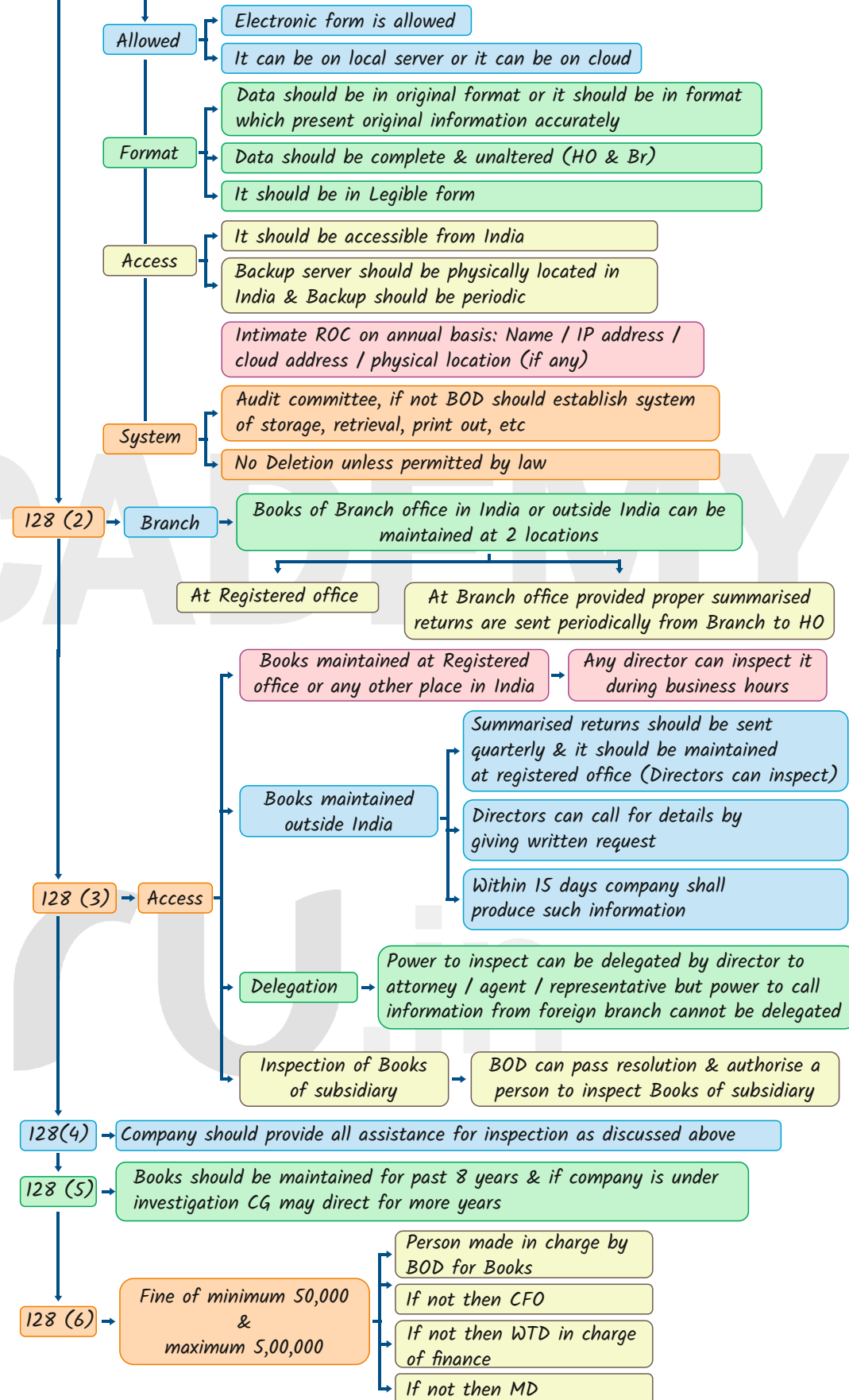


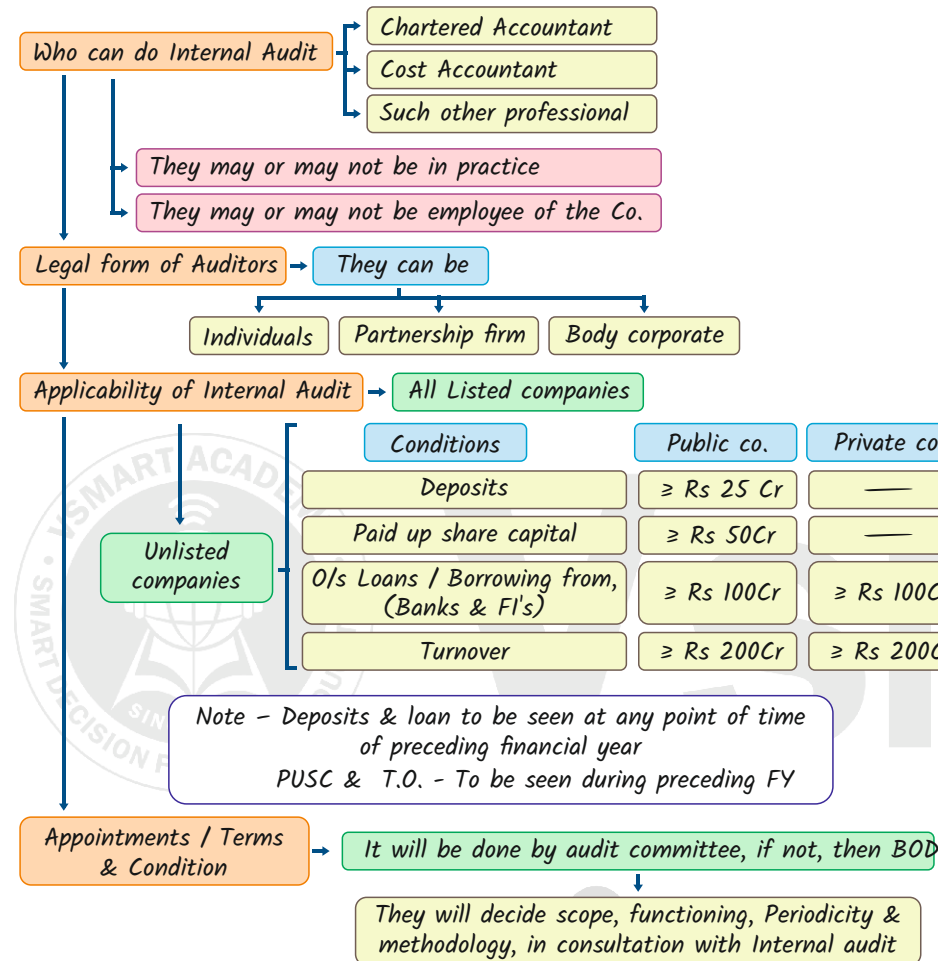
Part 3 - CO ACC & MISC

SEC - 128 & RELATED COMPANY A/C RULES



Electronic form



Sec 138 INTERNAL AUDIT**Part 4 - CARO**

(CNO--CARO.040)

(QNO-CARO.01, CARO.03, CARO.03.50, CARO.04) (MCQ-CARO.1)

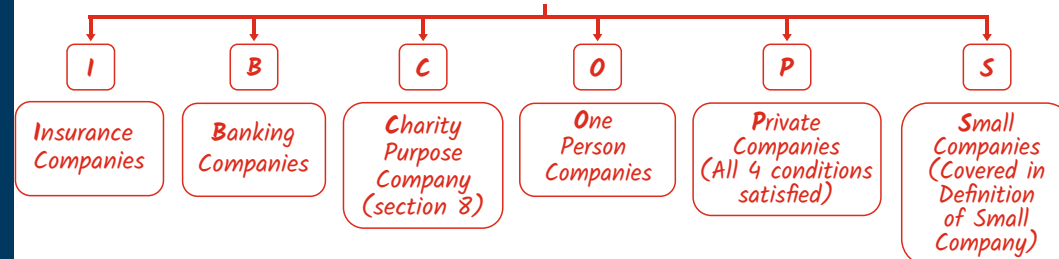
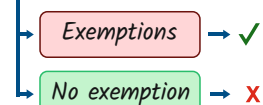
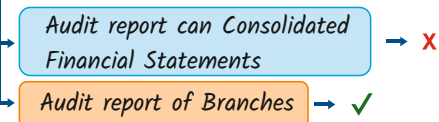
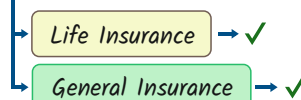
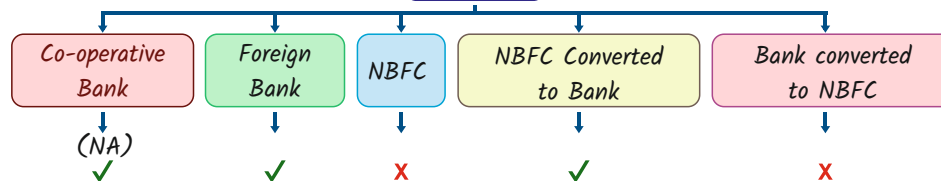
APPLICABILITY OF CARO

All Companies (From FY 2021-22)

Including Foreign companies

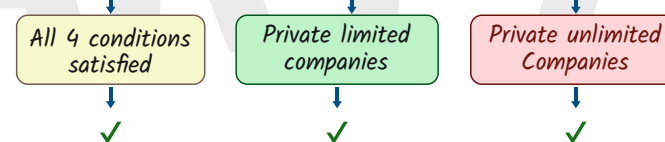
EXEMPTION FROM CARO

ShortCut : IB-COPS

**IMPORTANT PARTS IN EXEMPTIONS****GENERAL CASES****INSURANCE COMPANIES****BANKS****CHARITY PURPOSE/OPC**

No Specific cases

*** Note:- When to check these conditions, if no specific instruction, check if as on B/s date

PRIVATE COMPANIES**1ST CONDITION- HOLDING/SUBSIDIARY SHOULD NOT BE A PUBLIC COMPANY**

Check status as on B/s date

Private Company is subsidiary of foreign company (Public status abroad) → ✓

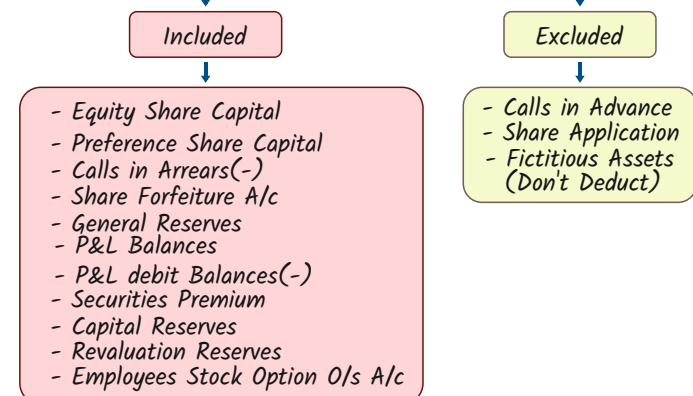
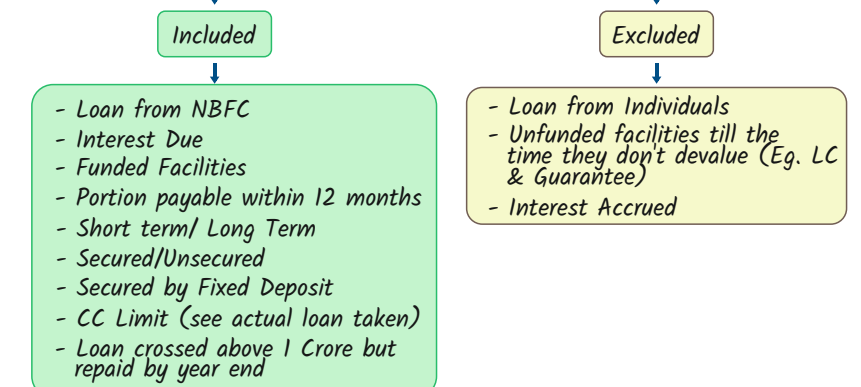
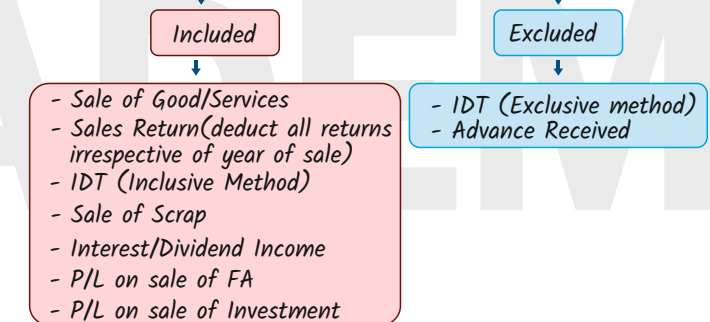
1ST CONDITION- HOLDING/SUBSIDIARY SHOULD NOT BE A PUBLIC COMPANY

Check status as on B/s date

Private Company is subsidiary of foreign company (Public status abroad) → ✓

2ND CONDITION- PAID UP CAPITAL & RESERVES SHOULD NOT EXCEEDS 1 CRORE AS ON BS DATE

Company Paid-up Capital & Reserves

**3RD CONDITION LOAN FROM BONUS AND FT'S SHOULD NOT EXCEED 1 CRORE ANYTIME DURING THE YEAR****4TH CONDITION TOTAL REVENUE SHOULD NOT EXCEED 10 CRORE****SMALL COMPANY DEFINITION**

(Other than public co.(Pvt. Co.))

- Not Section 8 Company
- Not having holding or Subsidiary
- Not governed by special Act

Paid up capital should not exceed 2 crore (Limit can be increased to 10 crore)

Turnover of LY should not exceed 20 Crore (Limit can be increased to 100Crore)

***If Private company satisfies either 4 conditions or definition of small company they will get exemption



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Auditguru.in

CA Ravi Taori

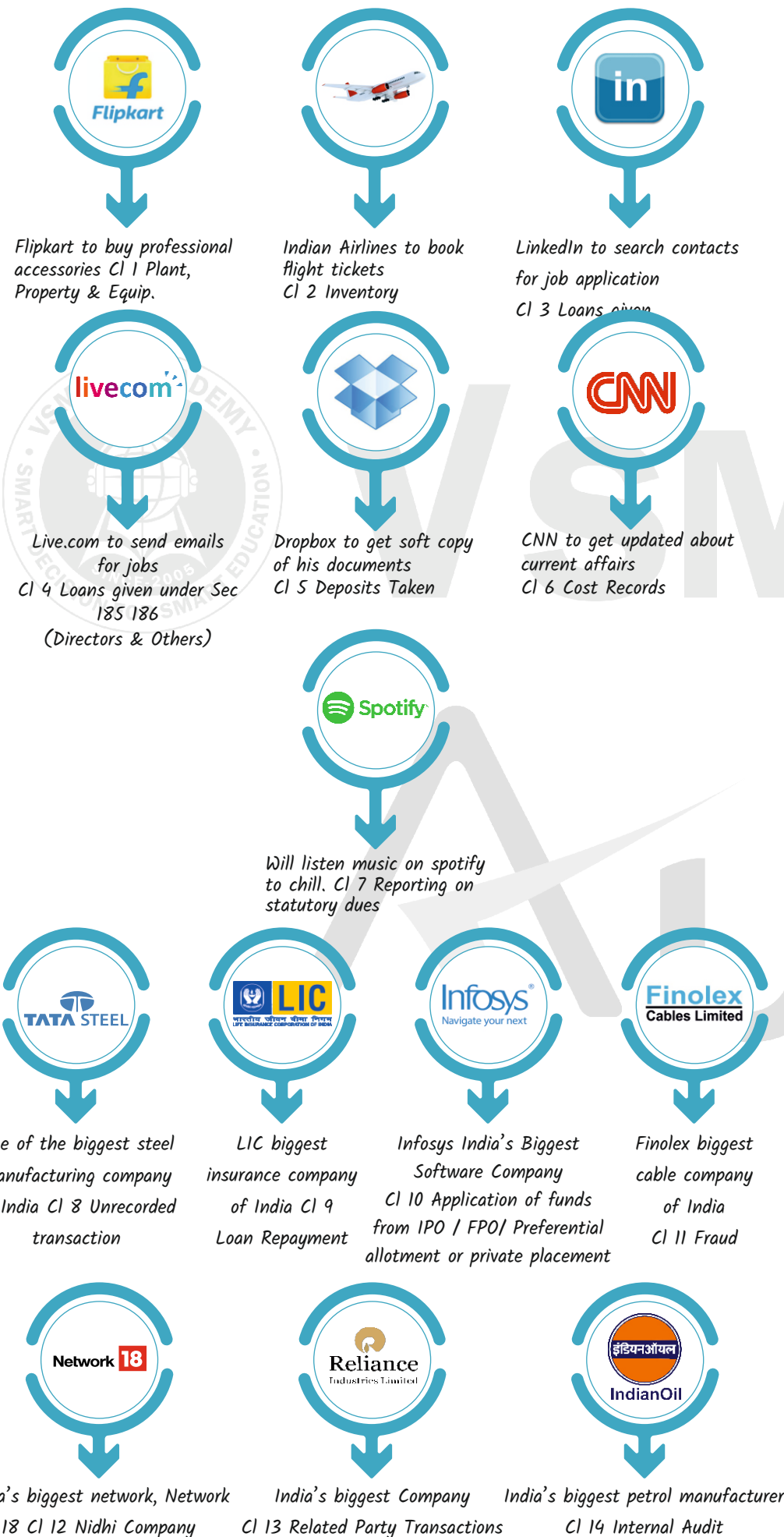
Doubts



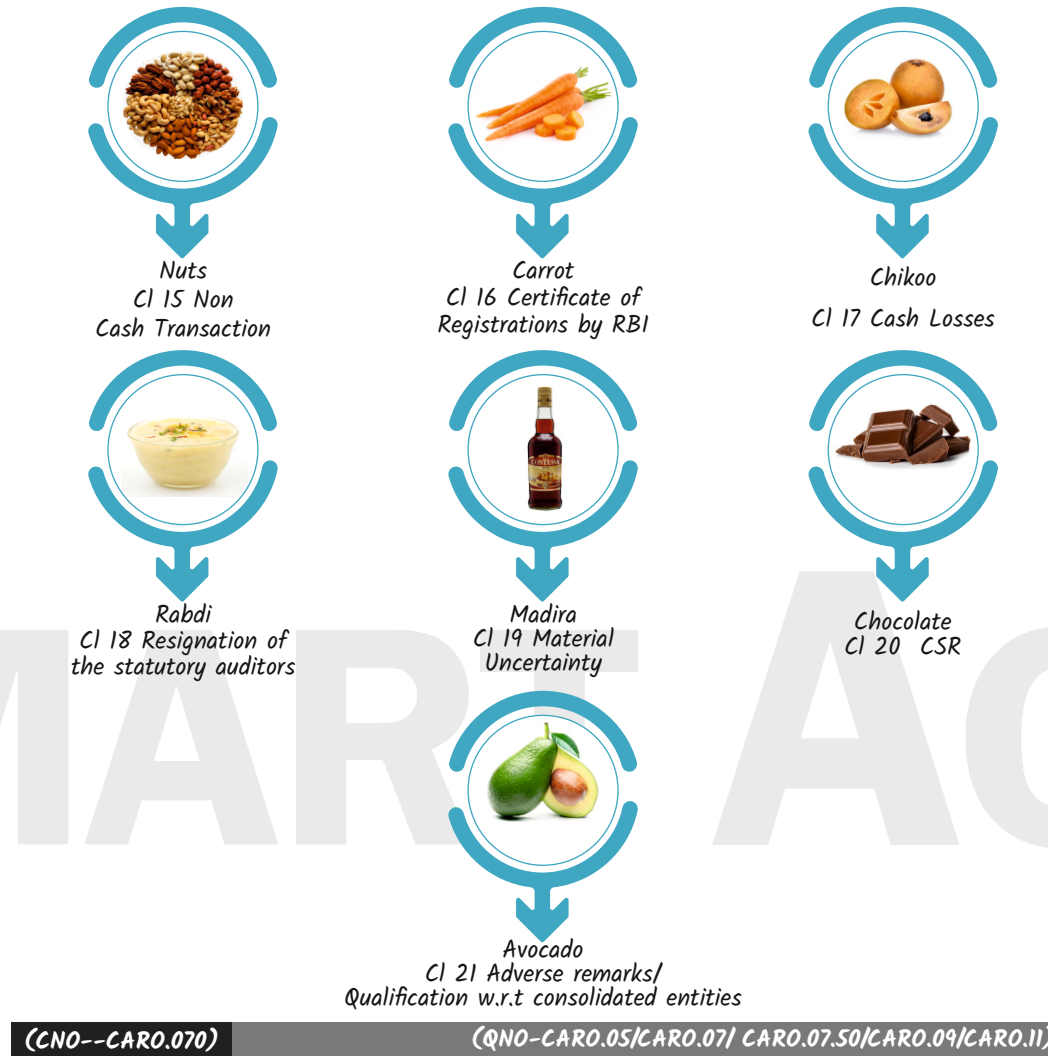
Telegram

SHORT CUT TO REMEMBER CLAUSES OF CARO 2020

SLIDE 1 (After Passing CA)

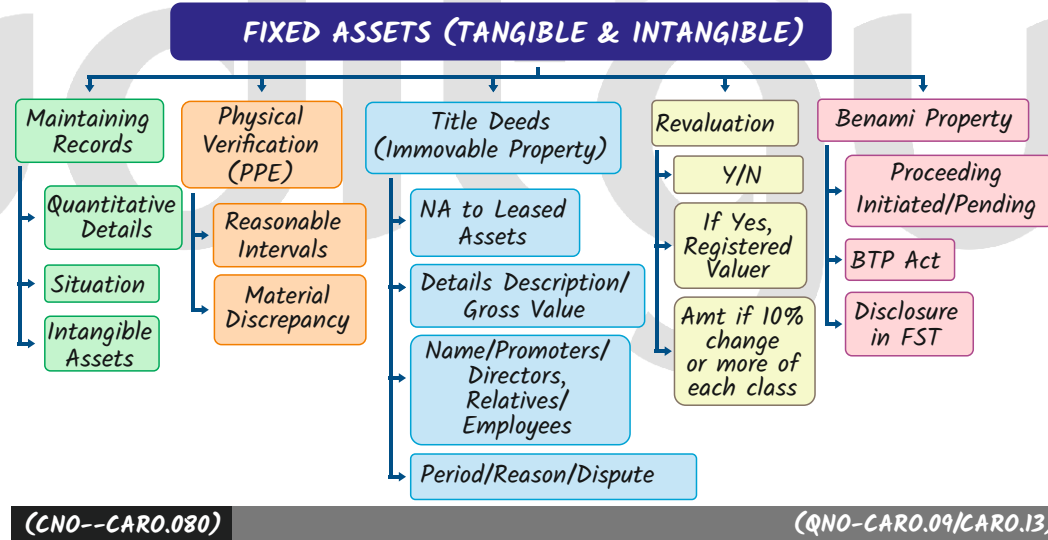


Slide 3 (Good Food V/s Bad Food)



(CNO--CARO.070) (QNO-CARO.05/CARO.07/ CARO.07.50/CARO.09/CARO.11)

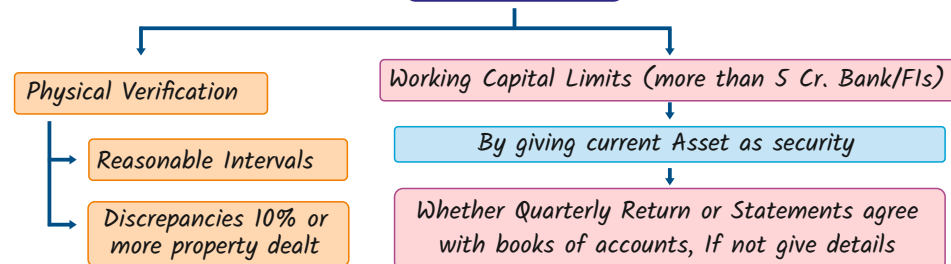
CLAUSE 1



(CNO--CARO.080) (QNO-CARO.09/CARO.13)

CLAUSE 2

INVENTORY

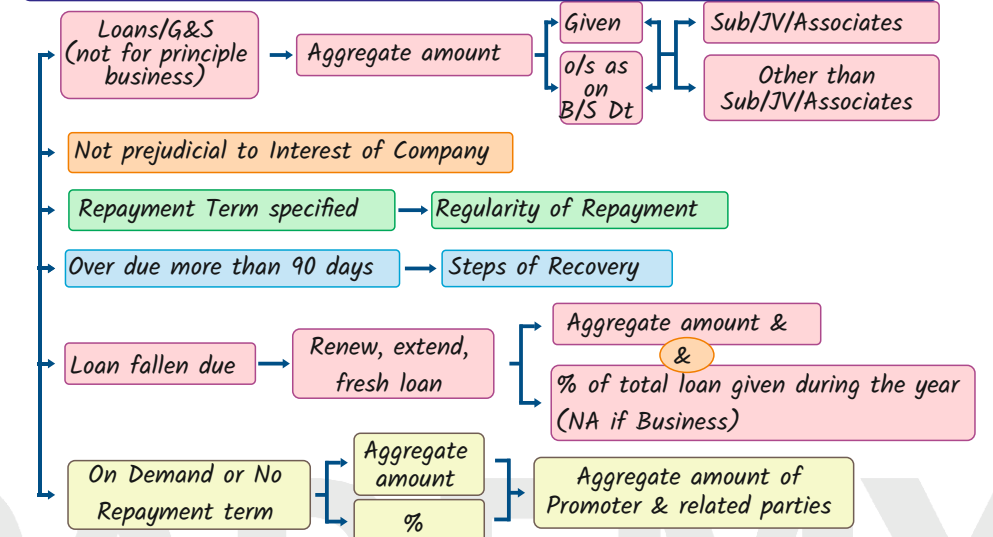


(CNO--CARO.090)

(QNO-CARO.15)

CLAUSE 3

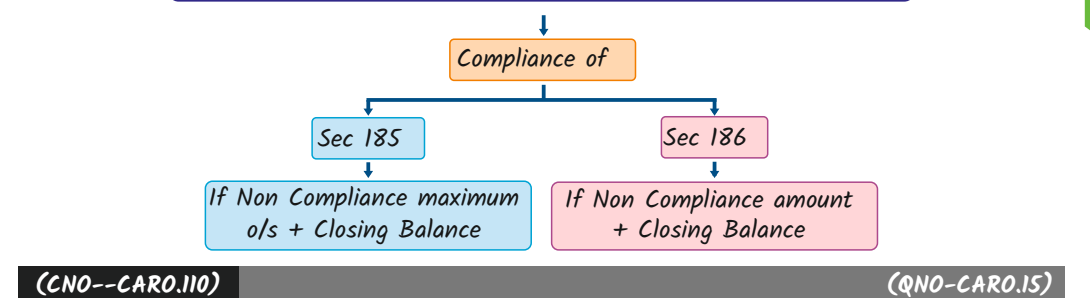
INVESTMENTS/LOANS/GUARANTEE OR SECURITIES (IF YES)



(CNO--CARO.100)

CLAUSE 4

LOAN/INVESTMENT/GUARANTEE & SECURITIES

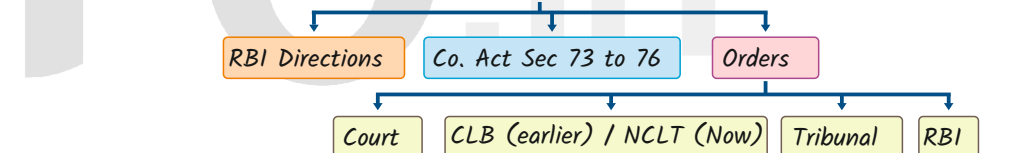


(CNO--CARO.110)

(QNO-CARO.15)

CLAUSE 5

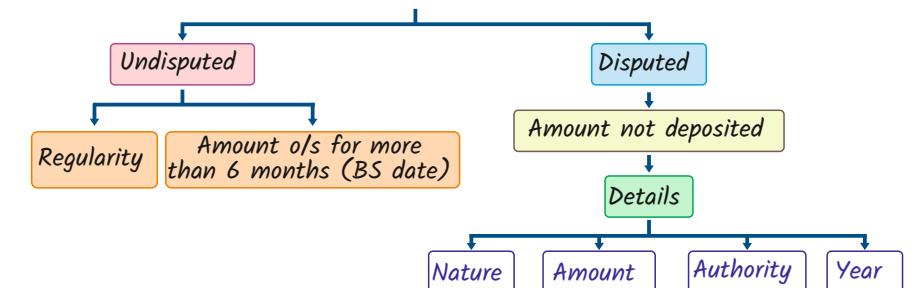
Compliance



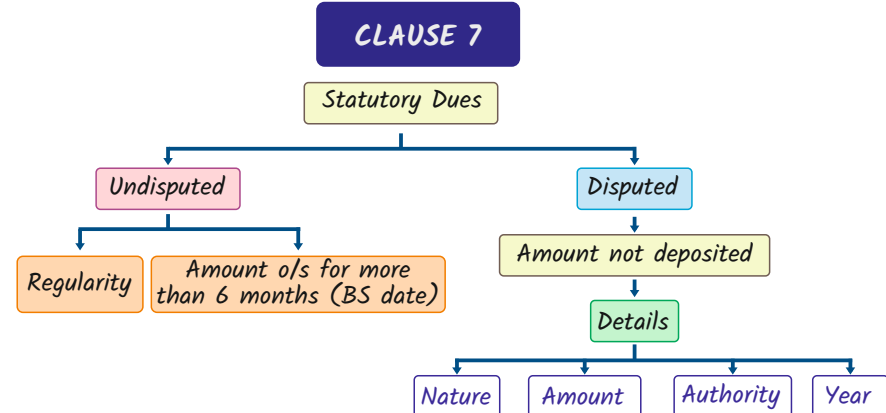
(CNO--CARO.120)

CLAUSE 6

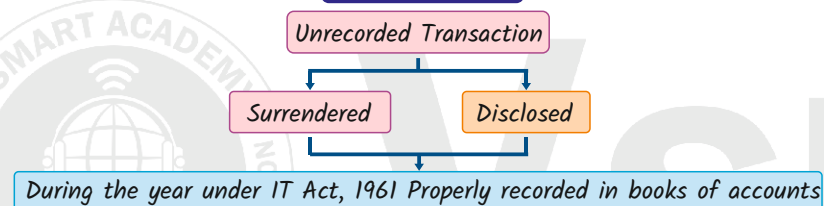
Statutory Dues



(CNO--CARO.130) (QNO- CARO.11/CARO.12/CARO.17)(MCQ-Incs.04.5, Incs.12.5)

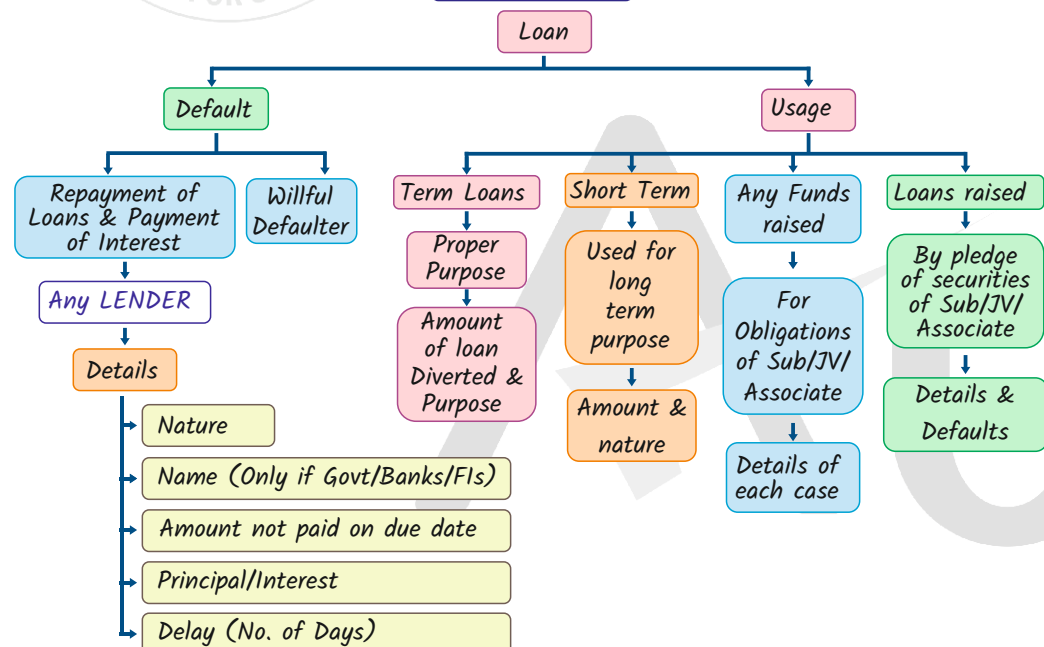


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CLAUSE 8

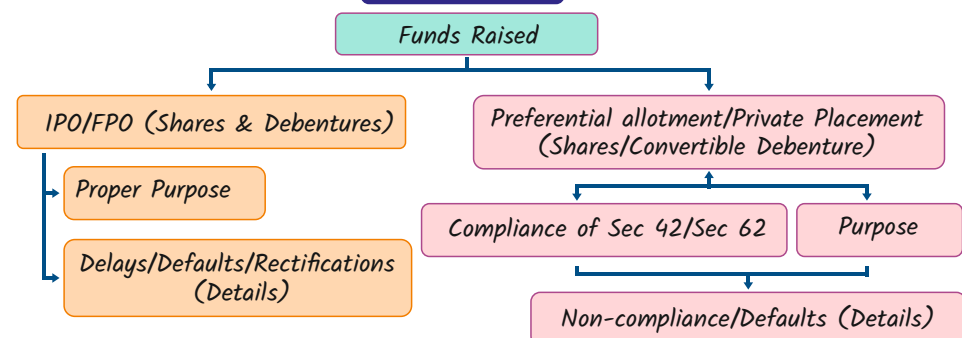
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(QNO-CARO.17/CARO.19/CARO.21)

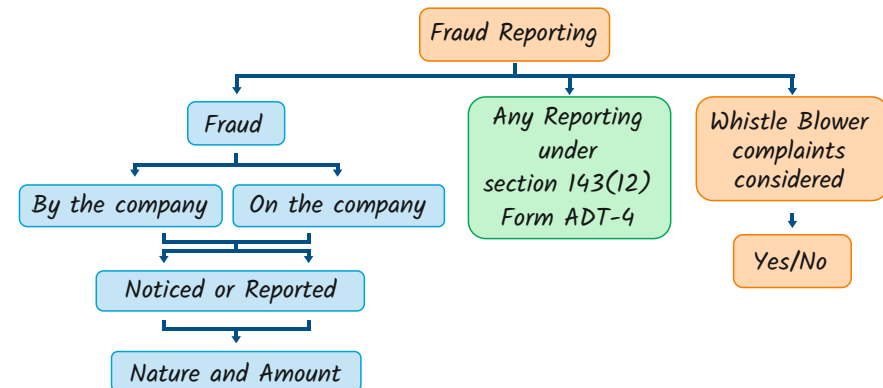
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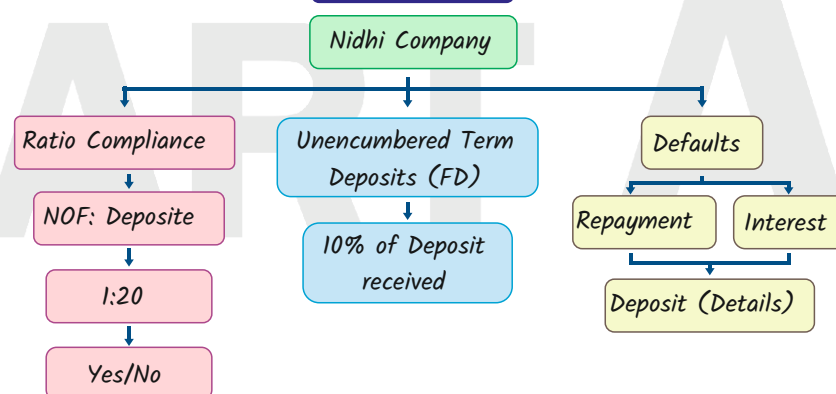
(QNO-CARO.23/CARO.25)(MCQ-CARO.3)

CLAUSE 10

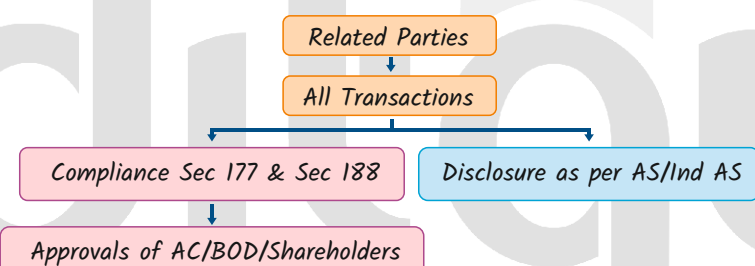
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CLAUSE 11

(CNO--CARO.180)

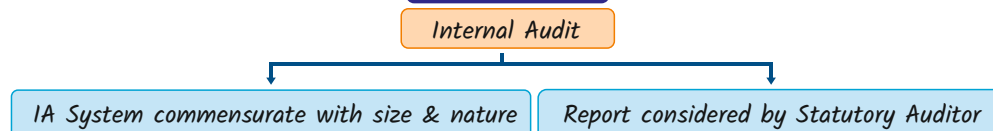
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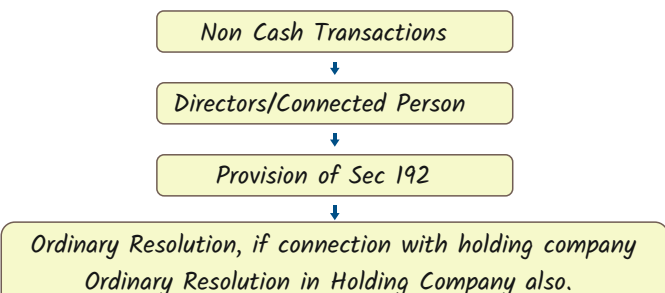
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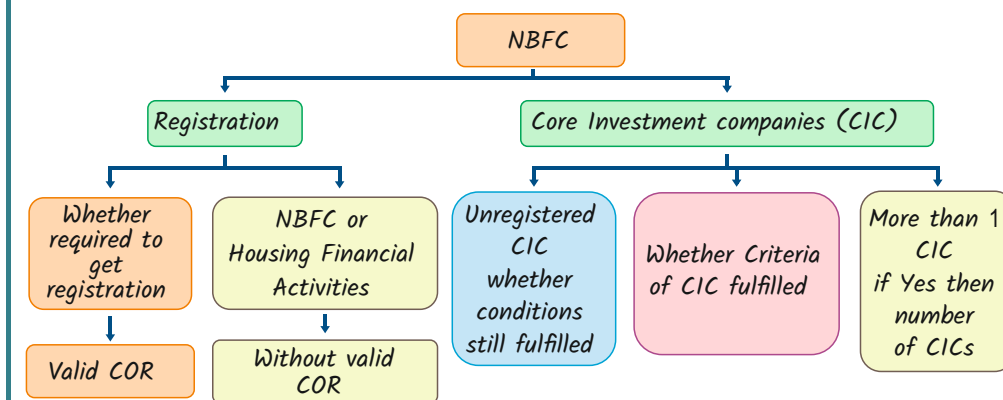
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CLAUSE 14

(CNO--CARO.210)

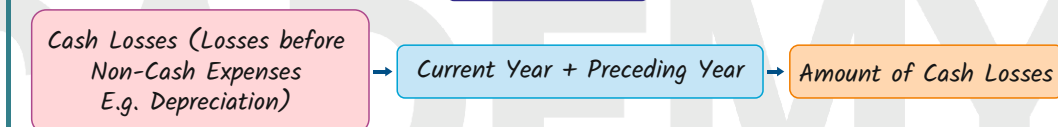
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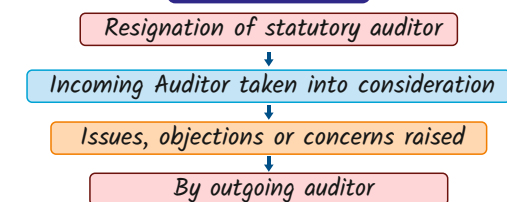
CLAUSE 16

***COR-Certificate of Registration

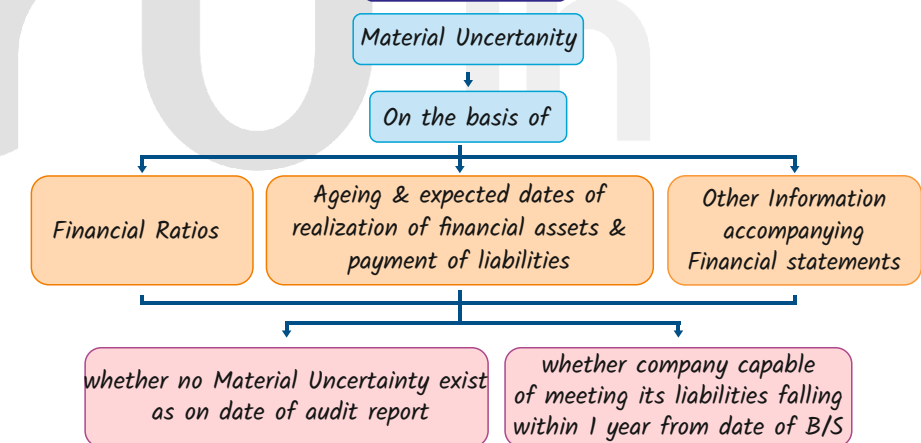
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CLAUSE 17

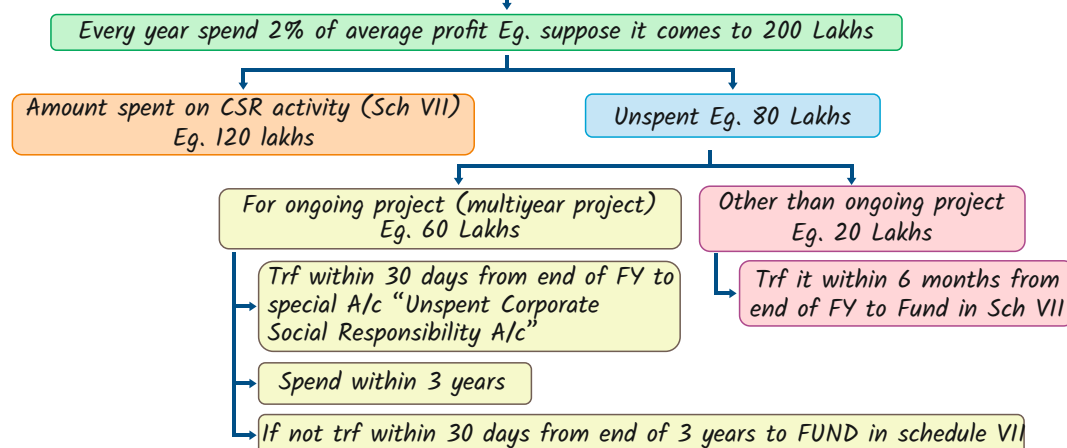
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CLAUSE 18

(CNO--CARO.250)

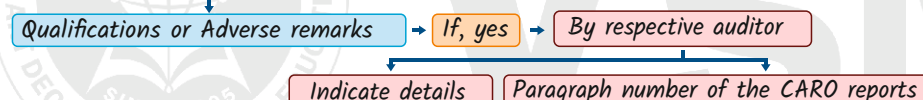
CLAUSE 19

CLAUSE 20



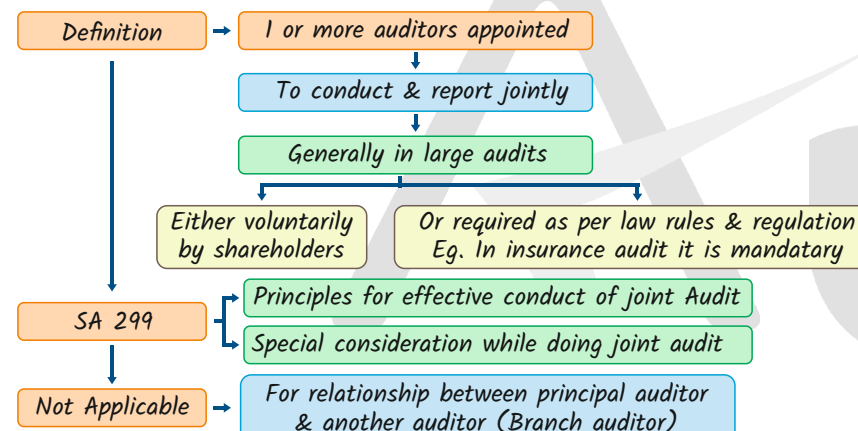
CLAUSE 21

CARO REPORT OF Co's CONSOLIDATED

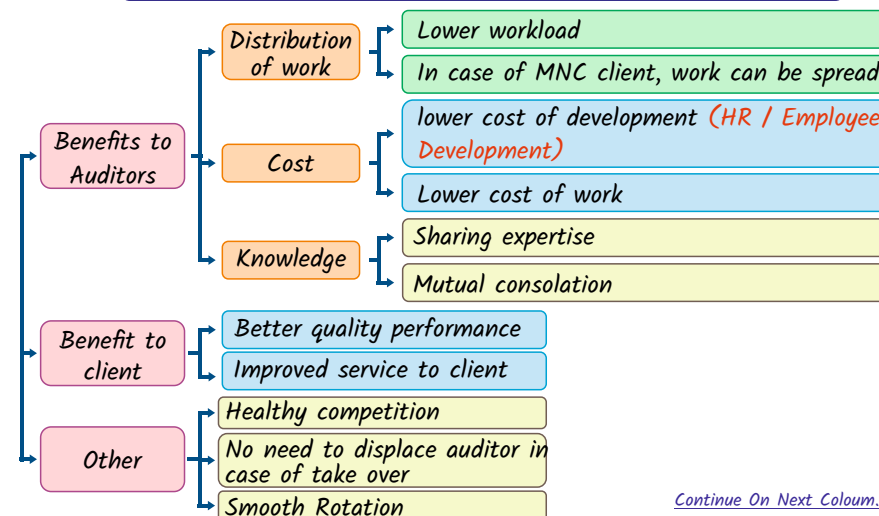


Part 5 - SA 299

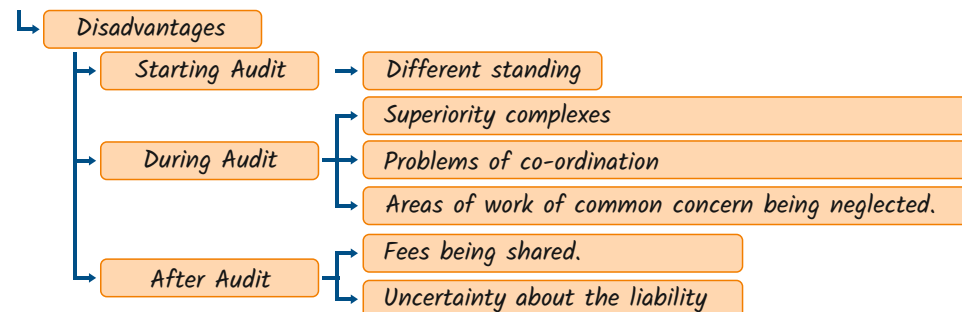
JOINT AUDIT



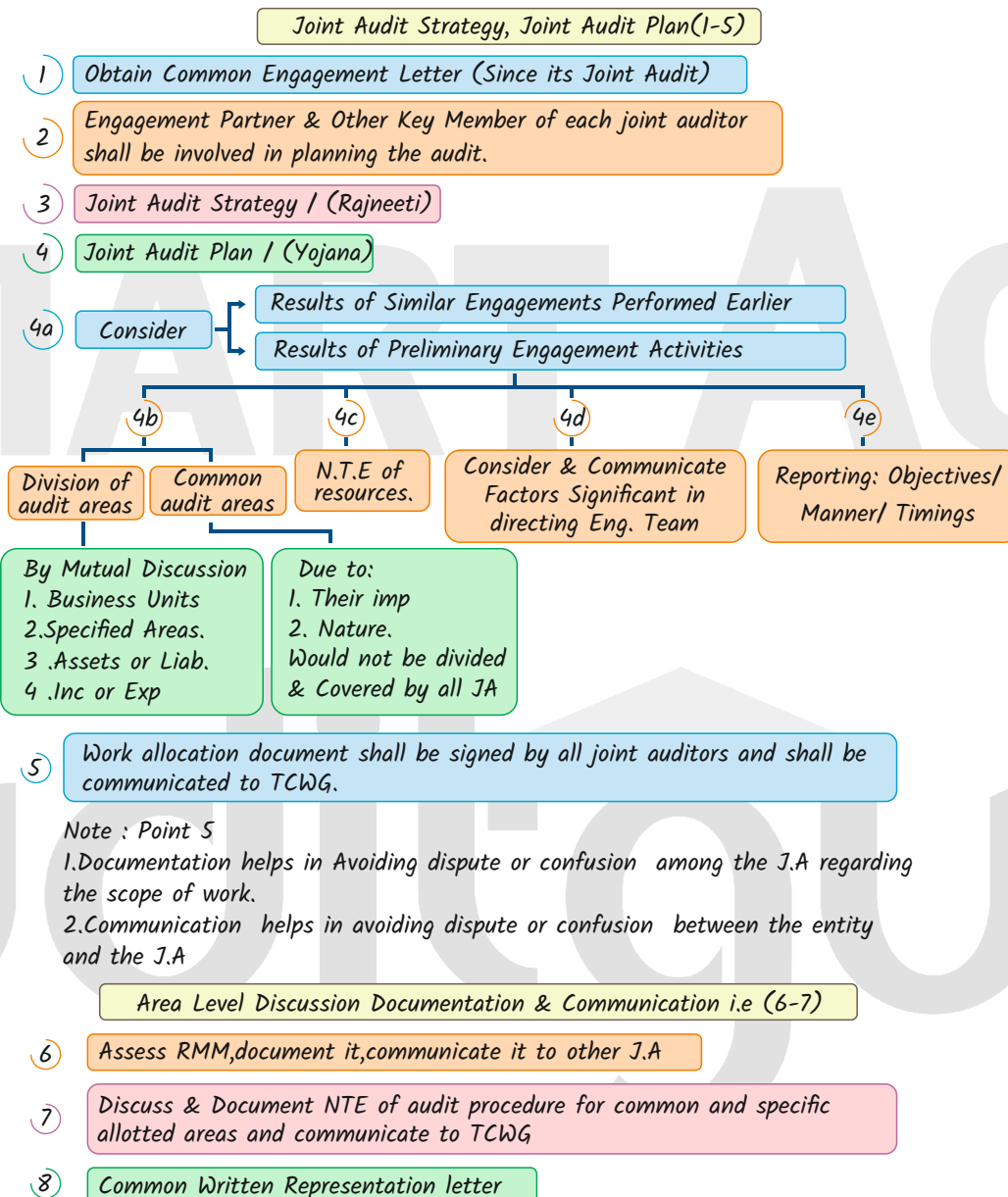
JOINT AUDIT ADVANTAGES / DISADVANTAGES



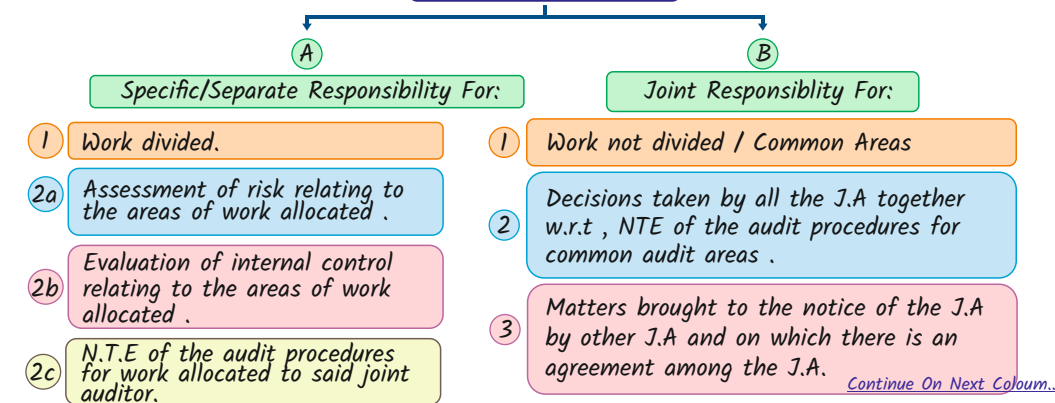
Continue On Next Coloum...



AUDIT PLANNING, RISK ASSESSMENT AND ALLOCATION OF WORK

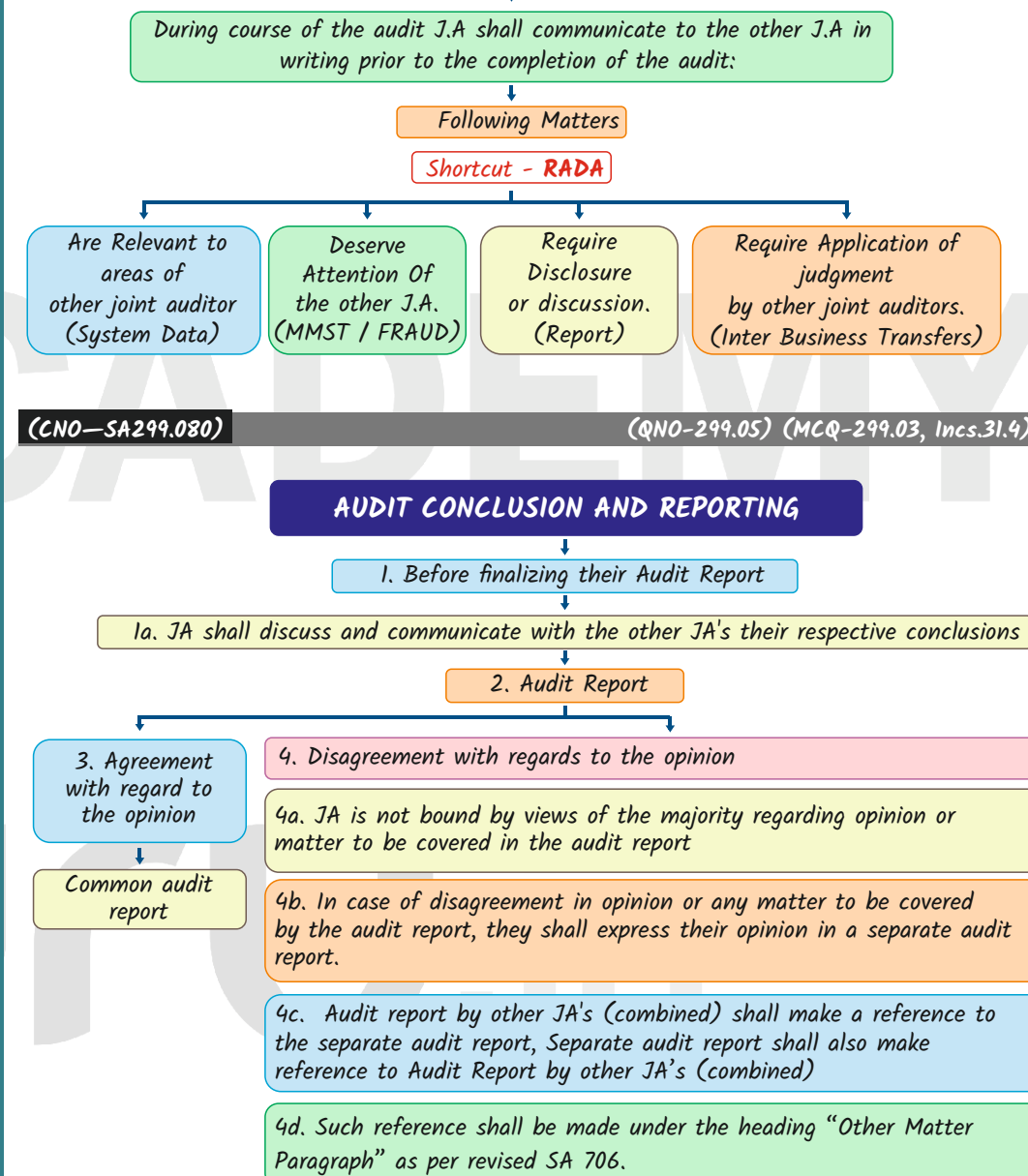


RESPONSIBILITY



Continue On Next Coloum...

CO-ORDINATION



- Examining whether the F.S of the entity comply with RELEVANT STATUTE.
- Presentation and disclosure Req of the FST.
- Ensuring that AUDIT REPORT complies with statutes, the app. SA's and the relevant pronouncements issued by ICAI.



Part I – SA 700

(CNO—SA700.020)

TYPES OF FRF & ITS IMPACT ON AUDIT REPORT

I. Types of Financial Reporting Framework

General purpose FRF

Followed & suitable for public at large Ex. AS in India followed by all for making FST

Report covered by SA700

Special purpose FRF

Followed and suitable for few Ex: T.R.A.I asked for circle wise P&L which is only suitable for decision making of license fees

Report covered by SA 700 & SA800

Further Classification of FRF

Fair Presentation FRF

Gives permission either to go for ADDITIONAL DISCLOSURE or AMEND REQUIREMENT of FRF for better financial presentation

Opinion wordings
1 FST as per AFRF
2 T&F view

Compliance Framework

No such permission as gives in Fair presentation FRF

Opinion wordings
1 FST as per AFRF

(CNO—SA700.030)

DIFFERENT FORM OF OPINION

Unmodified opinion

Sufficient & Appropriate audit evidence obtained

No material misstatement present in FST [ie FST in all material respect is as per Applicable FRF]

Modified opinion

Because of 2 reasons we have to modify opinion

1 Unable to obtain sufficient & appropriate Audit evidence
2 MMST is present in FST

SA 705 explains implication of modifying opinion

(CNO—SA700.040)

(QNO-700.07/ 700.09/ 700.09.50/ 700.10/ 700.11 / 700.13)

(MCQ-700.1, 700.3, 700.4, 700.7, Incs.S8.2, Incs.S8.3)

I. Title

Clearly Indicate report of Independent Auditor (Generally used "Independent Auditor's Report")

II. Addressee

Addressed as Per Circumstances (It may be prescribed in Law / Regulation / Terms of Engagement, if not it can be addressed to TCWG or Shareholders) (Sec 143(2) asks auditor to report to share holders)

Part I

Opinion on FST

Continue on next Coloum...

III. Auditor's Opinion

Heading → Opinion

Initial Content

1. Intro – We have Audited FST
2. Identify which Entity
3. Identify title of each statement in set of FST.
4. Refer to notes, including summary of significant accounting policies.
5. Dates / Period covered by FST

Ultimate Content (Opinion)

Wordings

If Fair FRF – Whether FST are as per applicable FRF (Fair FRF)

– Whether FST give True & Fair view/Presents Fairly in all material respect

If Compliance FRF – Whether FST are as per Applicable FRF (Compliance FRF)

IV. Basis of Opinion

Why Opinion is Reliable ?

1. Declaration by auditor that he is independent as per code of ethics and also fulfilling other ethical requirements (Such as Integrity / Objectivity / Professional Competence & Due Care / Professional Behaviour & Confidentiality)
2. Audit is conducted as per SA's, Issued under Sec 143(10)
3. For Further details on how work was conducted refer "Auditor Responsibility Section"
4. To assure everyone statement that, auditor obtained sufficient and appropriate evidence to provide auditor's opinion

V. Going Concern (If Required)

Where applicable, the auditor shall report in accordance with SA 570 (Revised) (This is generally required if there exists material uncertainty, unless it is covered in basis of opinion paragraph).

VI. Key Audit Matter (If applicable)

As per requirements of SA 701

VII. Responsibilities of Management for the FST

Heading → Depending on circumstances (law applicable, nature of entity etc)

heading can refer to management or also TCWG as the case may be.

I. Description of Responsibility for FST (BASIC)

If compliance framework → Preparation of FST as per compliance FRF

If fair presentation framework → Preparation of FST as per Fair FRF

– Ensure FST give True & Fair View

(2 MORE TO SUPPORT ABOVE)

2. Also responsibility to create & maintain internal control system to support above.

3. Responsibility to Assess whether going concern assessment is appropriate, disclosure of issues regarding going concern and statement on appropriateness of going concern

(LAST TO COVER ALL ABOVE)

4. Identify people who are responsible for oversight of financial reporting process. If TCWG is responsible include their name in heading.

Continue on next Coloum...

VIII. Auditor Responsibility

3 Para's Govern This Section

Para 37 Objectives

Reasonable Assurance + FREE FROM Material Misstatement & Issue Audit Report

– Meaning of Reasonable Assurance
– Meaning of Materiality
– Comment about Misstatement

Include always in Audit Report, No Other Option

Para 38 Scope

Auditor related points

Professional Judgement & Skepticism (alert)

Process related points

Identify RMM

RMM due to Fraud may involve omission, misrepresentation, forgery, collusion & override of ICS

Design & Perform Audit Procedures

Obtain Audit Evidence

IMP Points

Evaluate Accounting Policy / Reasonableness of Estimates & Disclosures

IF Fair FRF evaluate overall presentation, structure, content & disclosures

Appropriateness of Going Concern

Internal Control System related points

Non Corporates

We Understand ICS but not for expressing opinion

Corporates

Because of legal requirement to report on IFCR above / statement (regarding not expressing opinion) cannot be written in company audit report

Branch related points

Division of Responsibility by Auditor (Division / Branch / Subsidiaries covered by another auditor)

3 Options

1. Include in Report
2. Include it in Appendix / Annexure of Report
3. Refer class note

Continue on next Page...



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Doubts



Telegram

(CNO—SA700.080)

(QNO—700.15)

(CNO—SA700.120)

(QNO—700.03)

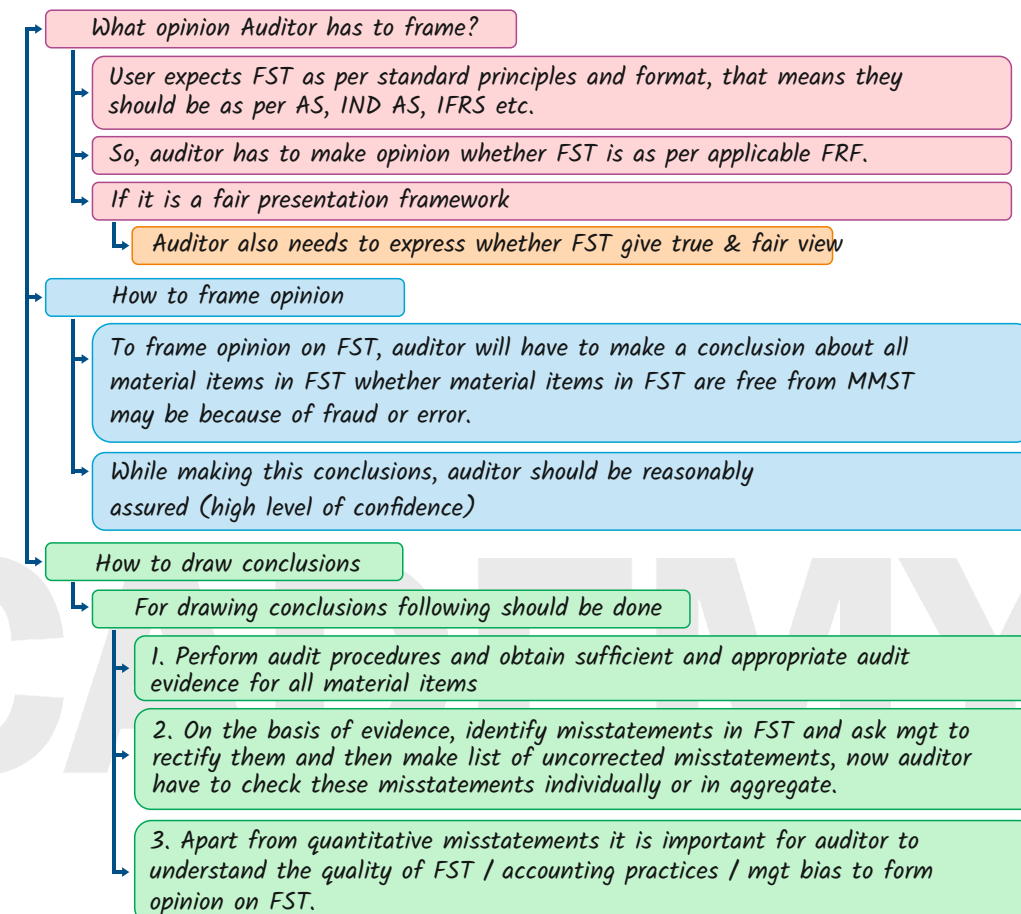
AUDIT REPORT V/S AUDIT CERTIFICATE

	Audit Report	Audit Certificate
Coverage	Generally whole FST	Limited Info
Procedures	Similar	Similar
Use of Judgement	Yes	No
Final Result	Opinion with reasonable Assurance	Vouch Accuracy with absolute assurance
Facts	Opinion is based on facts	Here we comment on accuracy of facts itself
Examples	Examples : the report under section 143 of the Companies Act, 2013 is an opinion based report and not a certificate	Examples: As per Section 66 of the Companies Act, 2013, an auditor is required to file a certificate in the tribunal where company is proposing for the reduction of capital

(CNO—SA700.100)

REPORTING TO SHAREHOLDER V/S REPORTING TO TCWG

	Reporting to shareholders	Reporting to Those Charged with Governance
Requirement	Section 143 of the companies Act, 2013 deals with the provisions relating to reporting to shareholder. Thus, it is a Statutory Audit Report which is addressed to the members.	SA 260 deals with the provisions relating to reporting to those charged with Governance.
Content	Statutory Audit Report is on true and fair view and as per prescribed Format.	it is a reporting on matters those charged with governance like scope of audit, audit procedures, audit modifications, etc.
Availability	Statutory Audit Reports are in public domain.	Reporting to those charged with Governance is an internal document i.e. private report.

FORMING OPINION ON FINANCIAL STATEMENTS

(CNO—SA700.140)

(QNO—700.19) (MCQ—700.8)

SPECIFIC EVALUATION BY AUDITOR'S

SA 700, makes some evaluation mandatory for auditor because they are extremely important and they don't want auditor to miss it in any manner

Shortcut - **MASTER** (Auditor has to evaluate following)

- M** - Material transactions and events are properly accounted and disclosed in the FST, so that user understand their nature and financial effects
- A** - Whether applicable FRF is followed consistently while selecting and implementing accounting policies
- S** - Whether significant accounting policies are properly disclosed in notes to accounts
- T** - Whether terminology used in FST including the title of FST is appropriate (e.g. title for profit oriented and non-profit oriented company is different)
- E** - Whether estimates made by the mgt appear reasonable (realistic)
- R** - Whether FST as a whole are relevant, reliable, comparable and understandable.



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Doubts

Telegram

Part II → Other legal & Regulatory para

IX. Other Reporting Responsibilities

- For reporting responsibilities other than those specified in earlier sections as per any law or regulations
- If topics are same include it in above sections only, but specify as per which provision so as to differentiate it
- If we include this as a section of audit report then we need to give heading to above part as "Report on Financial Statement"

X. Signature

(By Individual or Partner)

Name

of Member
of Firm

Reg. No.

Membership Reg. Number (MRN)

Firm Reg. Number (FRN)

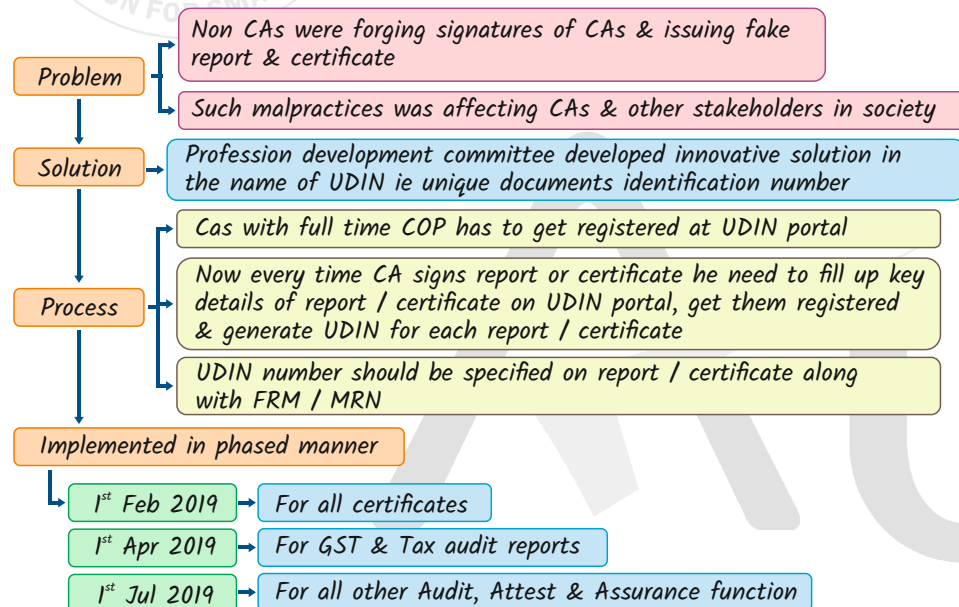
XII. DT - Dt of signing

Place - Where report is signed
(Generally it is city where office is situated)

XIII. UDIN - Unique Document Identification Number
(It should be generated within 60 days of signing document)

(CNO—SA700.050)

(MCQ—700.9)

UDIN

(CNO—SA700.060)

AUDIT REPORT PRESCRIBED BY LAW

If law prescribes format of audit report then as law overrides standards.
Hence auditor will have to follow format given by law

He will give reference to standards on auditing in his audit report only if

Audit reports includes basic elements which we have discussed earlier

Which means all elements from title to place except going concern, key audit matters, other requirements are included

In India, we don't refer to standards in tax audit report because it does not contain management responsibility & auditor responsibility paragraph

EVALUATION OF QUALITATIVE ASPECTS INCLUDING MGT BIAS

Qualitative aspects of accounting practices / FST.

SA 260, explains what are the qualitative aspects of accounting practices and they majorly focus on 3 things

Significant accounting policies

Mgt estimates & judgements

Disclosures in FST

Management Bias

Mgt has to make many judgement while doing accounting and preparing FST. There is a possibility that they misuse this opportunity and enforce there hidden agenda of manipulating FST.

So auditor should be careful and understand whether mgt appear bias.

To understand whether mgt is biased or lack neutrality, auditor should see following

Whether there are selective correction by mgt w.r.t. misstatements identified by auditor which may either only increasing earnings or decreasing earnings

Mgt is not rectifying deficiency in the system which are focusing on particular transaction, balances or disclosures leading to in appropriate reporting

whether there is possible Mgt bias while determine accounting estimates. Now, how to understand whether Mgt is bias in estimate is explained in SA 540 which gives examples and circumstances of Mgt is bias in making accounting estimates.

Effect of low quality accounting practices and mgt bias

if we identify that quality of accounting practices is low or mgt is biased, this in itself is not a material misstatement which should be reported

But while evaluating misstatements then we should consider effect to low quality accounting practice and mgt bias while drawing opinion and because of this we may draw opinion which is unfavorable, so they effect opinion making process.

TRUE & FAIR VIEW

Meaning

True	Reliable	P&L	Fin performance
Fair	Neutral / unbiased	B / S	Fin position

SA700

If fair presentation frame work

Opinion

True & Fair

Presents fairly in all material items

How to ensure FST are T&F

- No omission
 - Inc / Exp
 - Asset / Liab
- Recorded
 - Inc / Exp → Accuracy
 - Asset / Liab → Valuation
- A/C policy
 - As per Applicable FRF
 - Consistently
- Disclosures
 - All matters in
 - P&L
 - B/S
 - Unusual / Non-recurring
- Proper understanding → Eg. charge on Assets

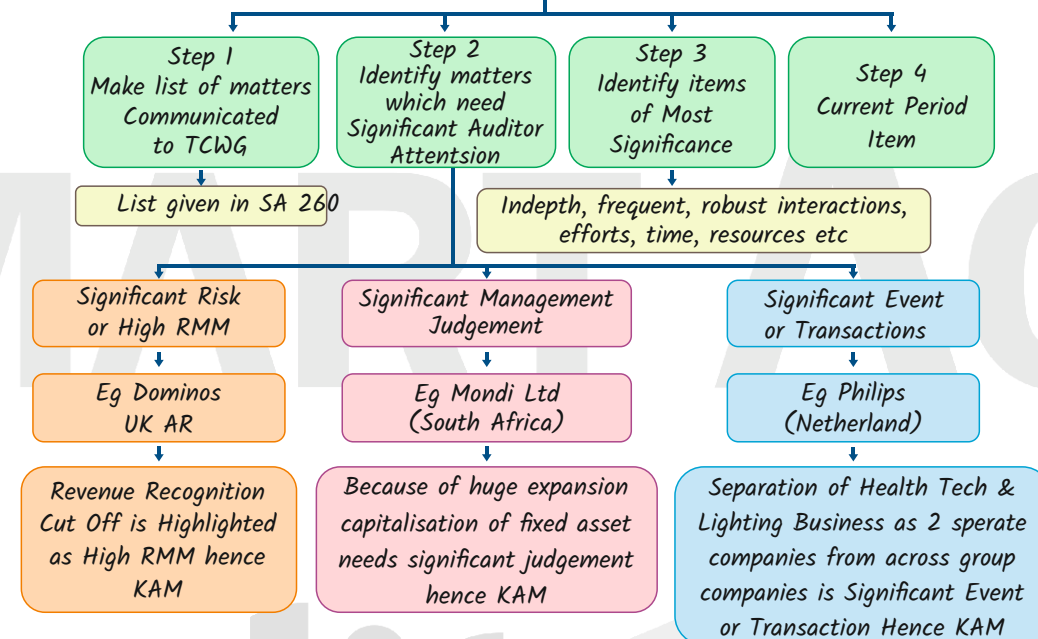
SA 701

1. Applicability of KAM Para (Given in SA 700)

- i. Audit of "Complete Set" of "General Purpose FST" of "Listed Entities"
- ii. Required by Law / Regulations
- iii. Auditor decides to Communicate KAM (Eg Significant Public Interest Involved)

SA 705 Prohibits putting KAM if Opinion is Disclaimed, Unless required by Law / Regulation

2. Determining KAM items ?



3. How to communicate KAM ?

Heading
Key Audit Matter

Introductory Language
2 Standard Statements
1. Definition of KAM - Matters which in auditor's professional judgement were of Most Significance
2. Auditor is not providing sperate opinion on these matter

Main Content of KAM
Description of KAM
Reference to related Disclosure
Why matter is considered KAM?
How the matter was addressed?

No Communication of some KAM items

1. Law / Regulations Prohibits (Eg SF10)

2. Adverse Consequences more than Public Interest (Eg Cyrus Mistry Vs TATA)

If there is No Key Audit Matter or Key Audit Matters Exist but not Reported as per reasons given above then include a statement under heading "key Audit Matter" and explain this fact.

4. Relationship with Other paras

Matters

Modification
Include in "Basis of Modification"
Give Reference in KAM

Material Uncertainty
Include in "Going Concern"
Give Reference in KAM

EMP / OMP
If common, Include it in KAM.
Such items can be put first in KAM sequence to highlight them

KAM NOT A SUBSTITUTE FOR DISCLOSURES IN FST

Shortcut - Fast Moving Goods & Services

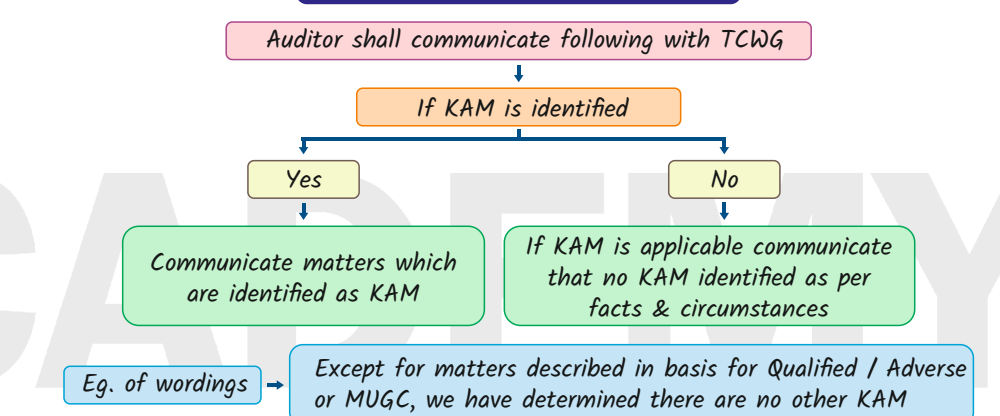
F - Not a substitute for disclosure in financial statement

M - Not a substitute for expressing Modified opinion

G - Not a substitute for reporting on material uncertainty over Going concern

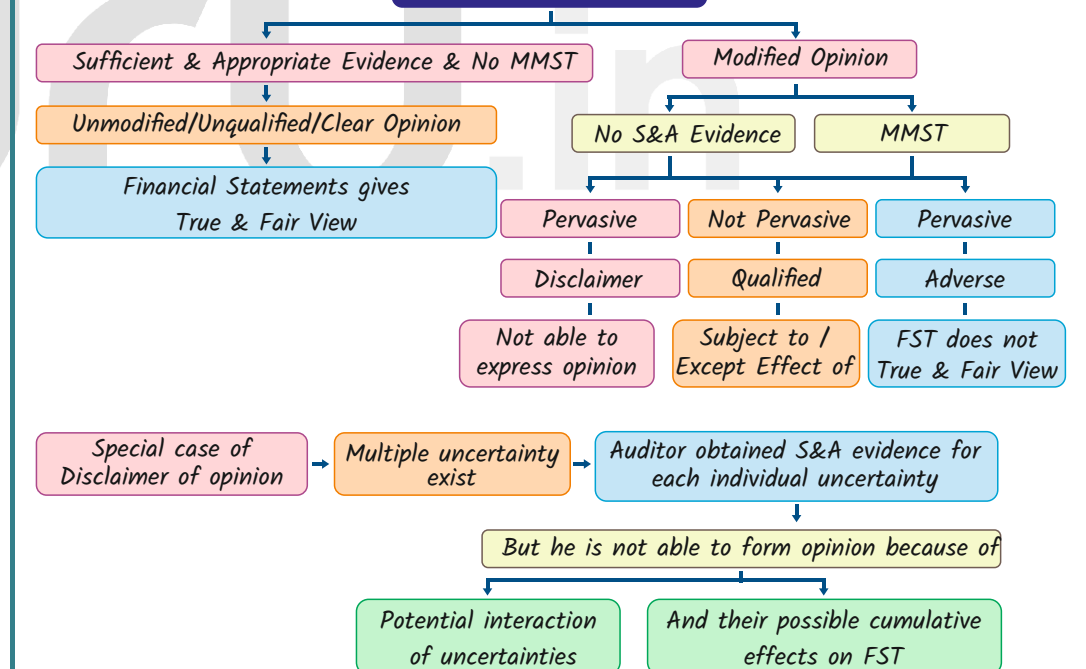
S - Not a Separate opinion on individual matters

COMMUNICATON WITH TCWG



Part 3 - SA 705

TYPES OF OPINION

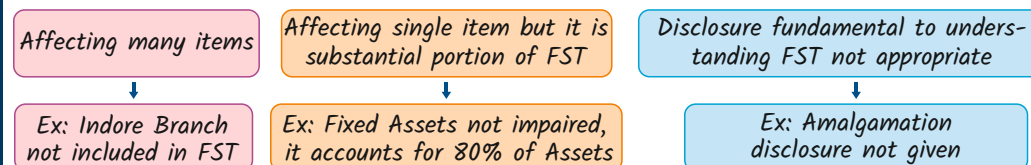


WHICH TYPE OF OPINION IS APPROPRIATE

It is mere repetition of types of opinion explained earlier

(CNO—SA705.040)

(MCQ—Incs.58.1)

PERSUASIVE MATTER

(CNO—SA705.050)

OBJECTIVE OF AUDITOR AS PER SA705

Objective of Audit is to express clearly appropriately modified opinion when

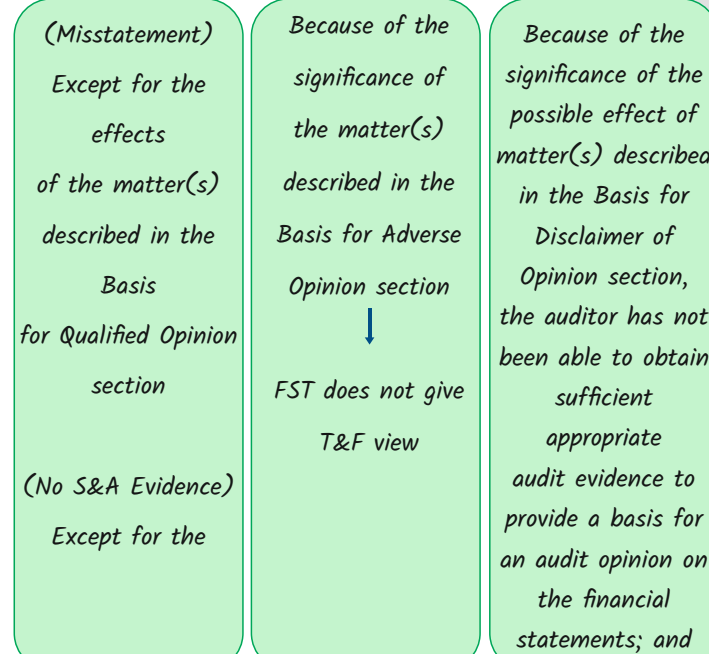
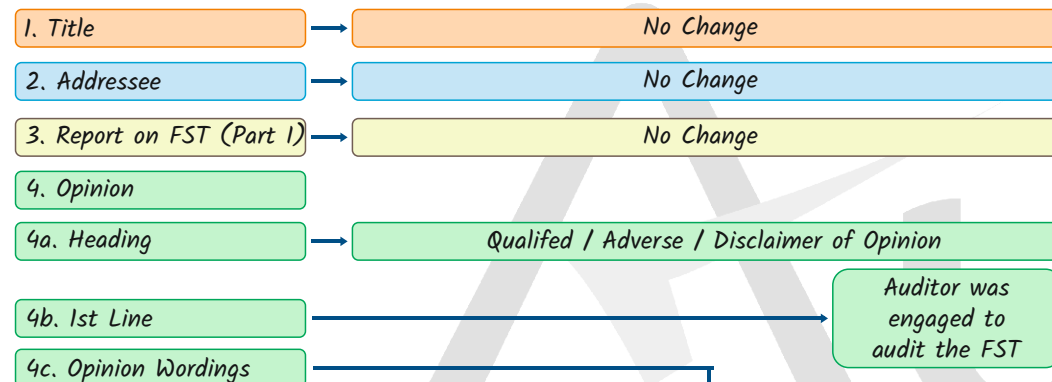
- Unable to obtain sufficient & appropriate audit evidence
- Financial statements are having material misstatement

(CNO—SA705.060)

(QNO—SA705.25, SA705.28, SA705.30) (MCQ—Incs.31.2)

EFFECT OF MODIFICATIONS ON AUDIT REPORT

Qualification Adverse Disclaimer



Continue on next Coloum...

5. Basis for Opinion

Sa. Heading

Basis of Qualification / Adverse / Disclaimer of Opinion

Qualification Adverse Disclaimer

Sb. Content

Depending on the reason of modification

Material Misstatement

No Sufficient & Appropriate Evidence

Related to Amounts

Description and quantification of the financial effects of the misstatement
(Eg: Depreciation under charged by 5 crores)
&
If it is not practicable to

Related to Narrative

Disclosures
An explanation of how the disclosures are misstated.
(Eg: Company has disclosed that CY losses covers net worth, instead it should be specified that CY losses are 3 times net worth of the company as on start of the year)

Relates to non Disclosure

(Eg: Contingent Liability Undisclosed)
(a) Discuss the non-disclosure with TCWG;
(b) The nature of the omitted information; and
(c) Unless prohibited by law or regulation, include the omitted disclosures, provided it is practicable and S&A audit evidence about the omitted

The auditor shall include in the Basis for Opinion section the reasons for

Sc. Last Line

When the auditor expresses a qualified or adverse opinion, the auditor shall amend the statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion to include the word "qualified" or "adverse", as appropriate.

When the auditor disclaims an opinion on the financial statements, the auditor's report shall not include the following

Those elements are:

- (a) A reference to the section of the auditor's report where the auditor's responsibilities are described;
- and
- (b) A statement about whether the audit evidence obtained

Continue on next Coloum...

Qualification Adverse Disclaimer

6. Material Uncertainty related to Going concern

No Change

7. Key Audit Matters

No Change (No KAM in case of disclaimer)

8. MGT Responsibility

No Change

9. Auditor Responsibility

If there is disclaimer only following will be written

Our responsibility is to conduct an audit of the entity's financial statements in accordance with Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

10. Other Matter

No Change

11. Report on other legal and regulatory requirements (Part II)

No Change

12. Signature/Place/Date

No Change

13. UDIN

No Change

(CNO—SA705.080)

COMMUNICATION WITH TCWG

When Auditor expects to modify opinion

He should go to TCWG & explain following

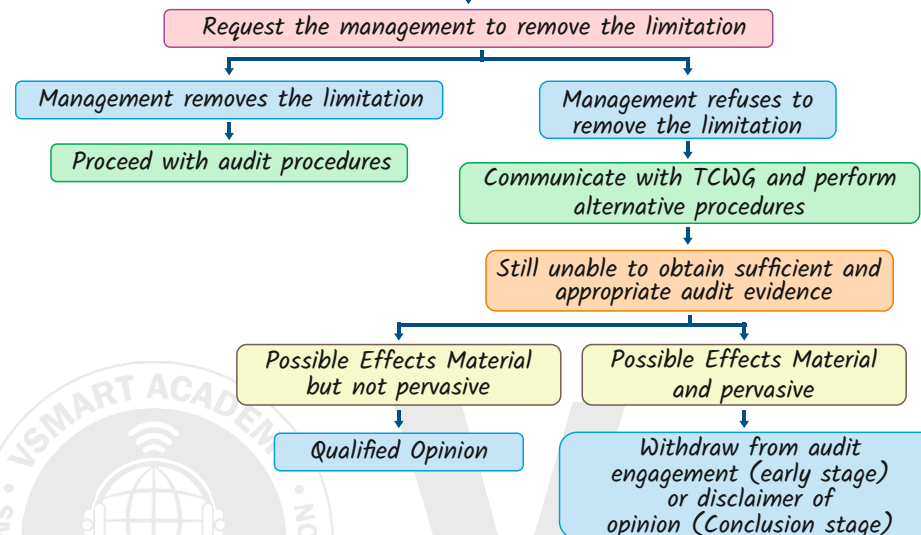
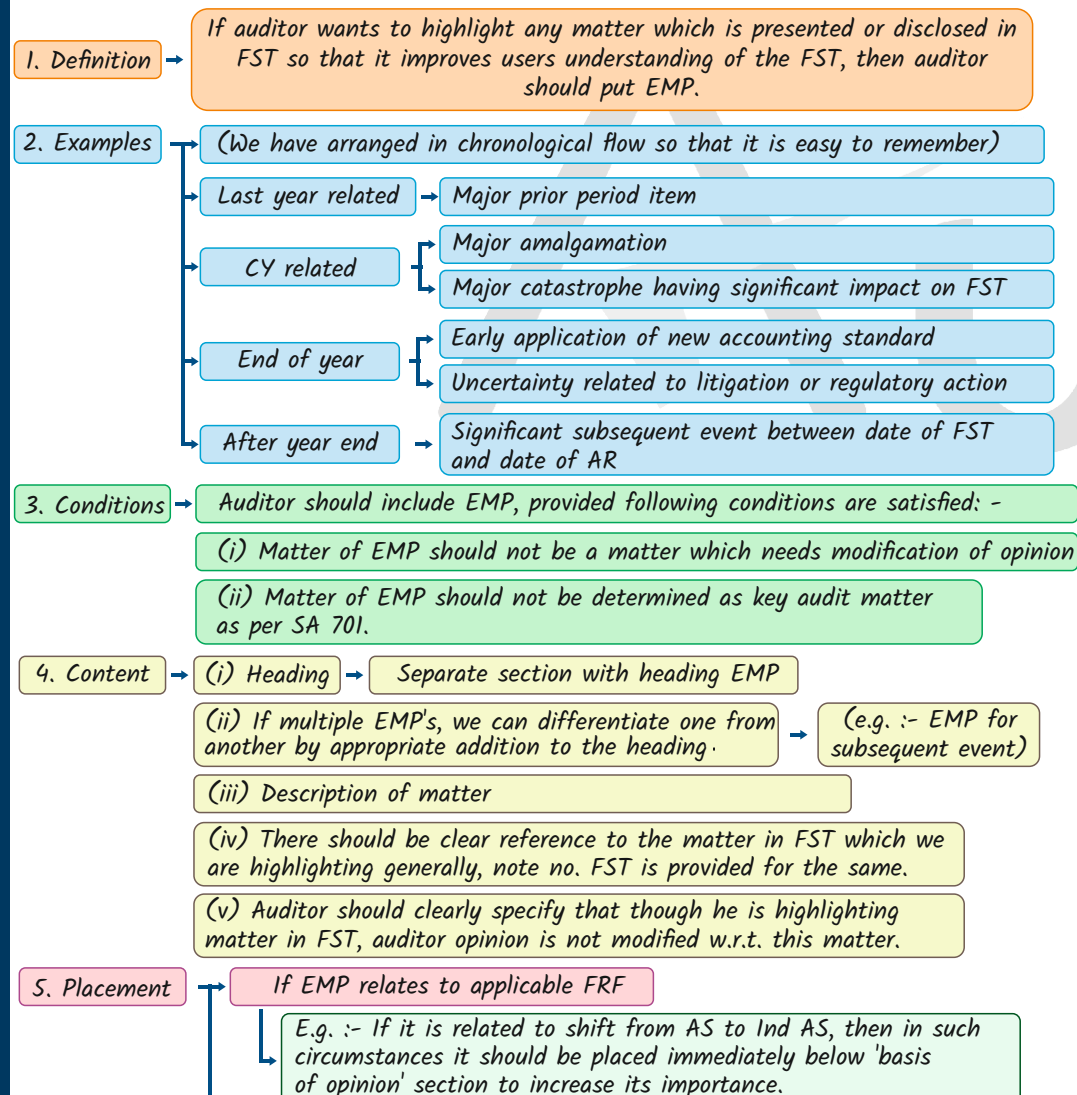
Circumstances leading to modification

Expected modification & wording of modification



LIMITATION OF SCOPE

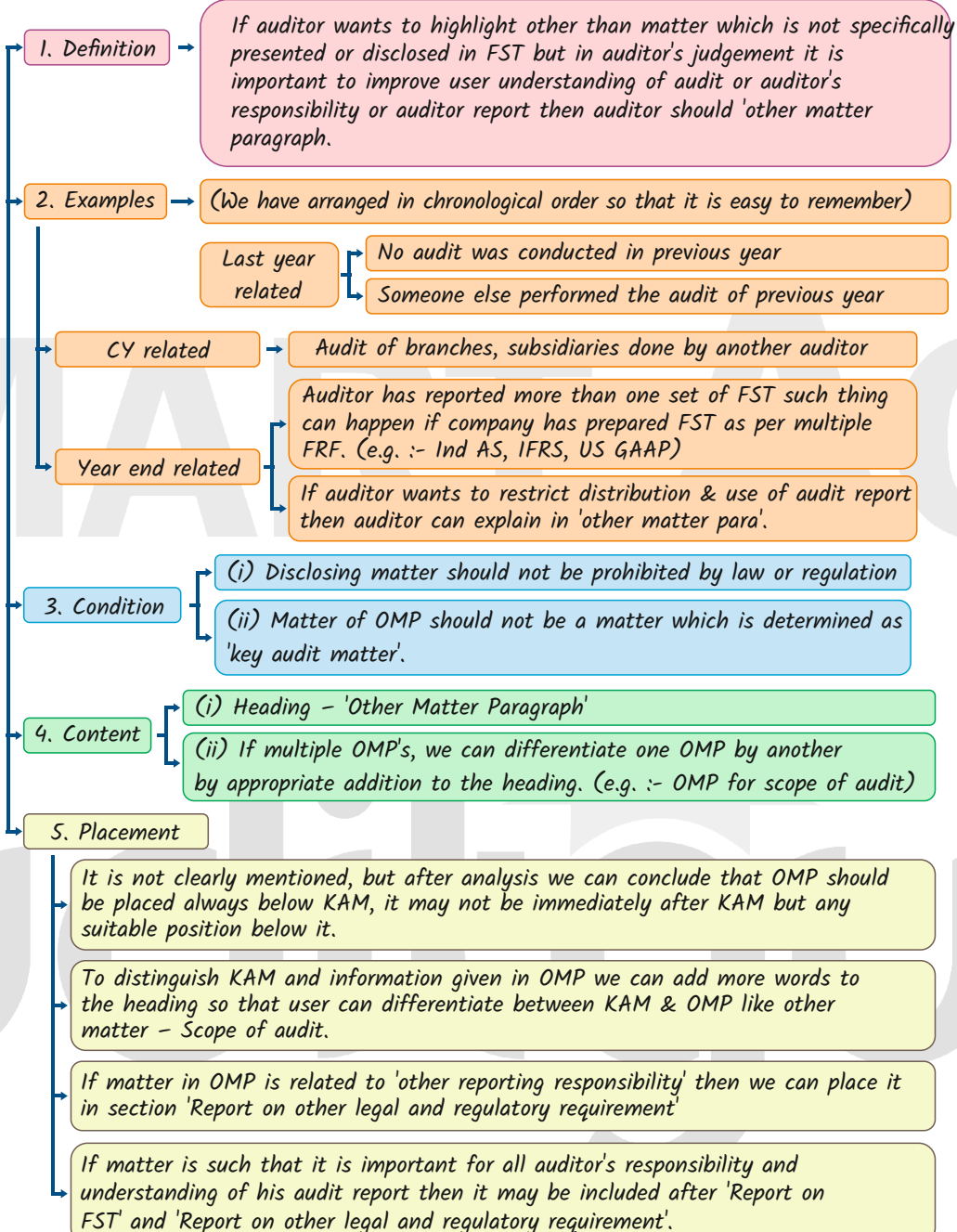
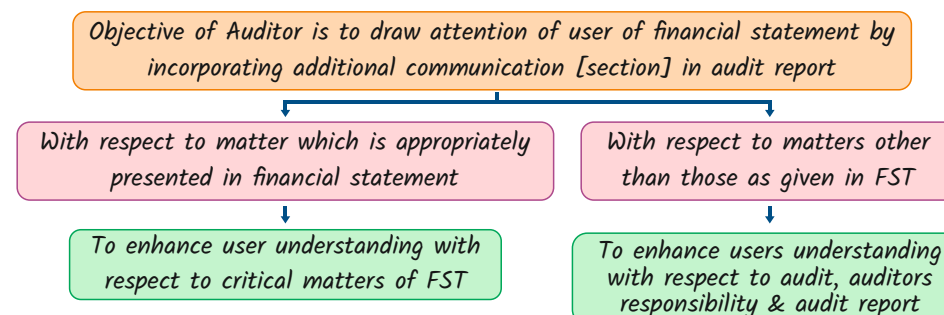
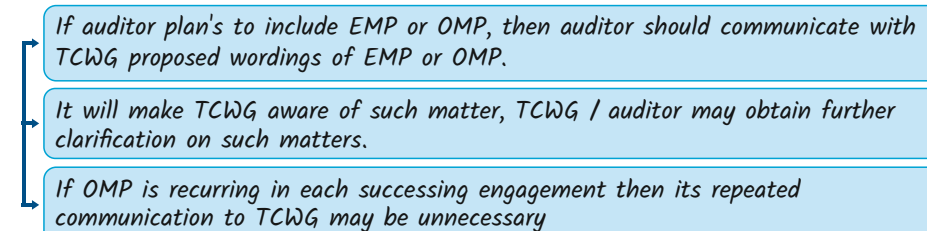
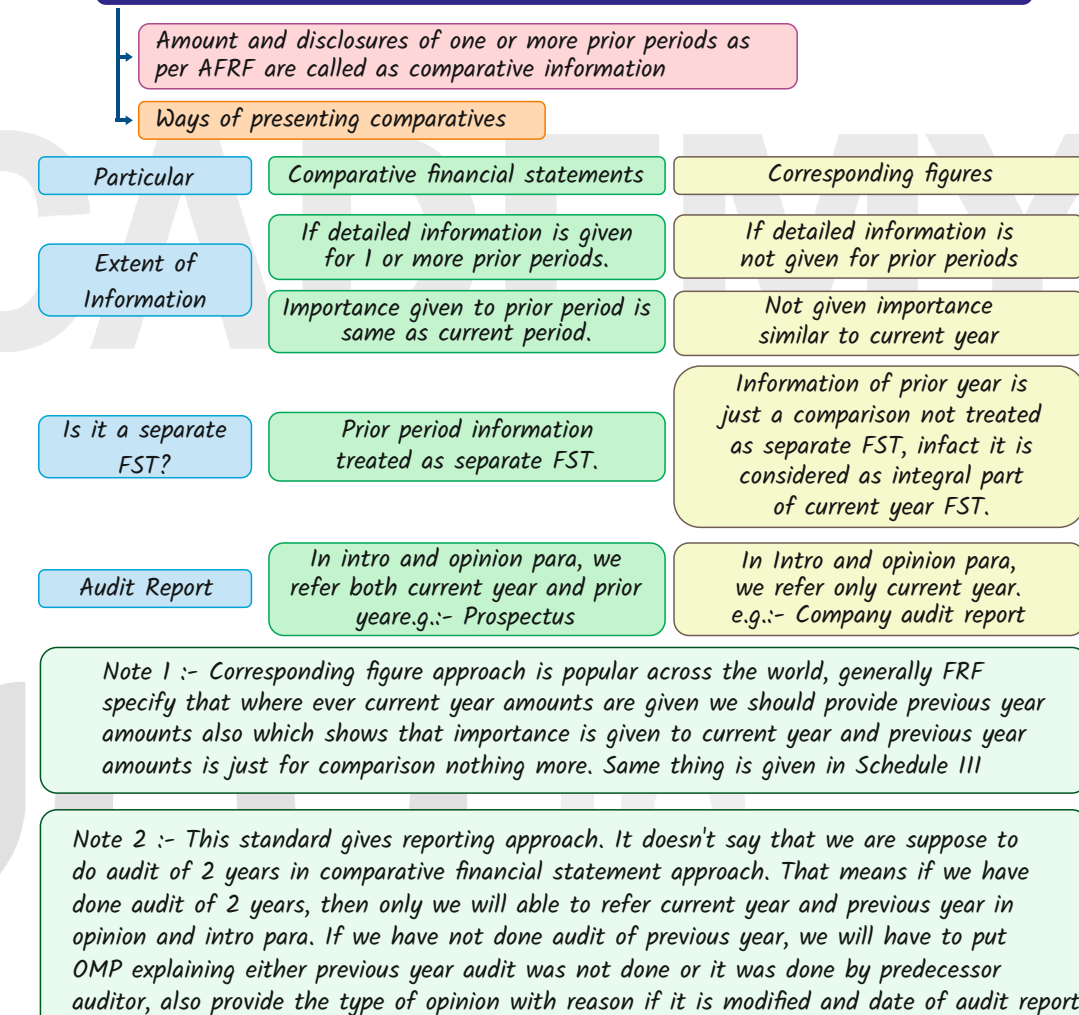
Inability to obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement

**Part 4- SA 706****EMPHASIS OF MATTER PARAGRAPH**

Continue on next Column...

In other cases, EMP can be presented either before or after 'key audit matter' based on auditor's judgement as to relative significance given in EMP.

E.g. :- If prior period item is very significant, changing profits drastically than EMP may be placed before 'key audit matter'.

OTHER MATTER PARAGRAPH**OBJECTIVE OF THE AUDITOR AS PER SA 706****COMMUNICATION WITH TCWG****Part 5 - SA 710****COMPARATIVES AND WAYS OF PRESENTING COMPARATIVES****OBJECTIVES AS PER 710**

AUDIT PROCEDURES FOR COMPARATIVES / COMPARATIVES FINANCIAL STATEMENTS / CORRESPONDING FIGURES

Basic Evaluation of Comparative Information

- Auditor should understand requirements of AFRR w.r.t. to comparative information and check whether this information is appropriately presented in FST.
- Agree comparative information with amount and disclosures presented in prior period FST.
- Ensure that accounting policies reflected in comparative information are consistently followed and if there is a change it is properly accounted, disclosed and presented in current period

Additional procedures in case of possible material misstatements

- If auditor become aware of possible material misstatement in comparative information while doing audit then auditor can perform additional audit procedures as suitable to draw conclusion whether material misstatement exists
- If material misstatement exist then either previous year FST should be revised and such revision should be done as per requirements of SA 560 which deals with subsequent events. It will be auditor's responsibility if he was auditor of previous year. Generally this is possible before AGM easily in other cases rectification are done in current period as prior period items.

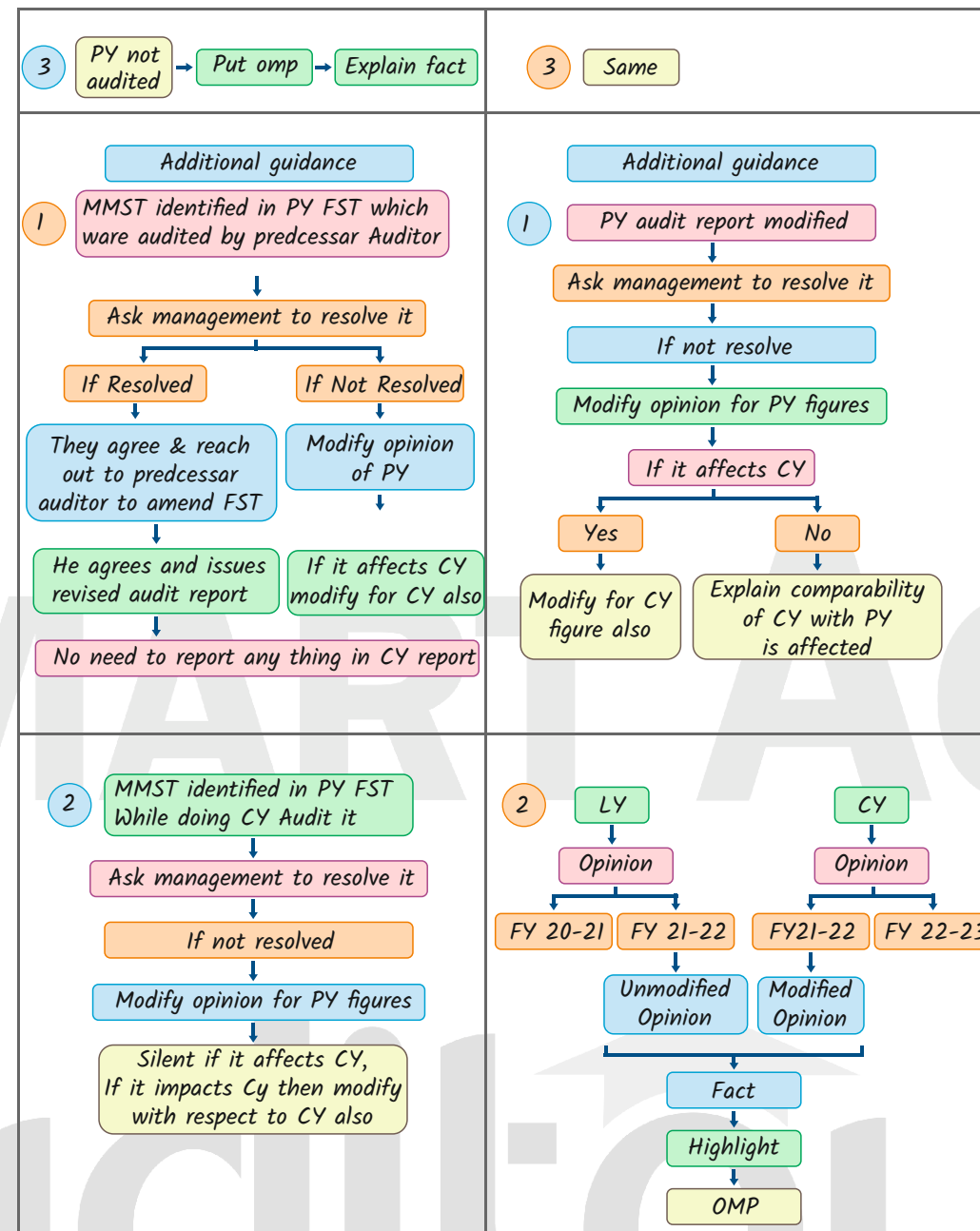
Written Representations

- The Auditor shall request WR for all the periods which are refer in opinion para.
- CFS** → In case of comparative financial statements we will request WR for current period or as well as prior periods which are referred in audit report. Even if we have taken WR in previous year we will take it again to ensure that information is appropriate as on current year (today)
- Corresponding figures** → WR will be requested only for current period
- Specific WR may be obtained if there is any prior period financial items if disclosed in current year's P&L.

AUDIT REPORTING

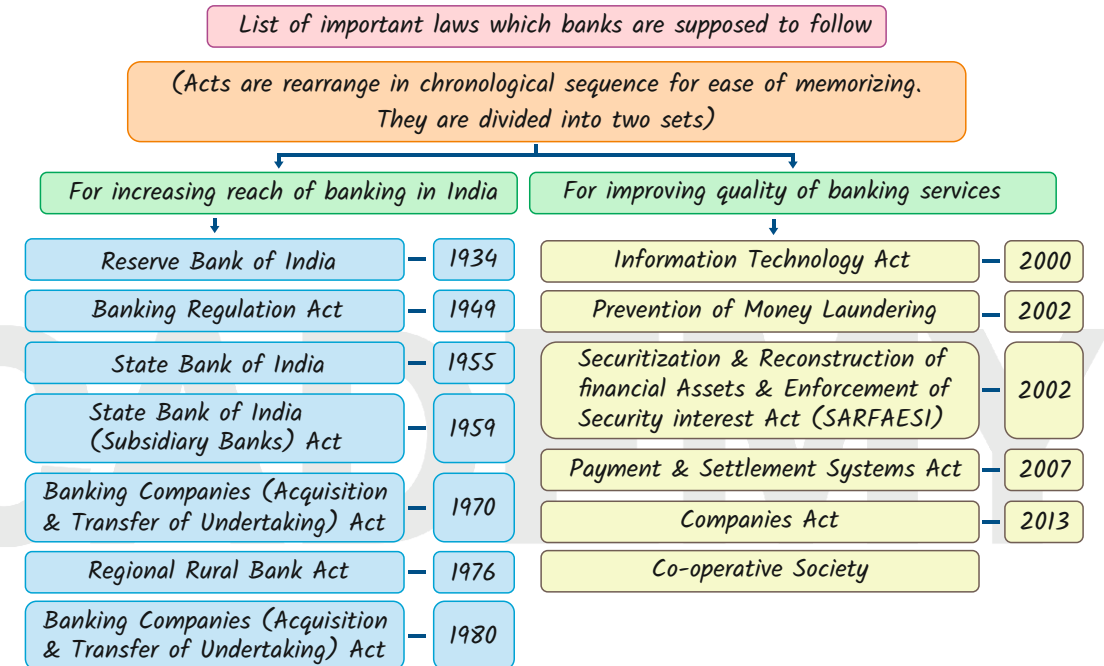
Reporting → Corresponding Figures approach	Reporting → Comparative FST Approach
1 Basic Principle → Refer only current year no need to refer previous year	1 Basic principle → Refer CY & PY Both
2 Previous year audited by predecessor Auditor ↓ Put OMP ↓ Statement that PY audited by predecessor auditor Type of opinion Dt of Audit Report ↓ If modified give reasons	2 same

Continue on next Column...

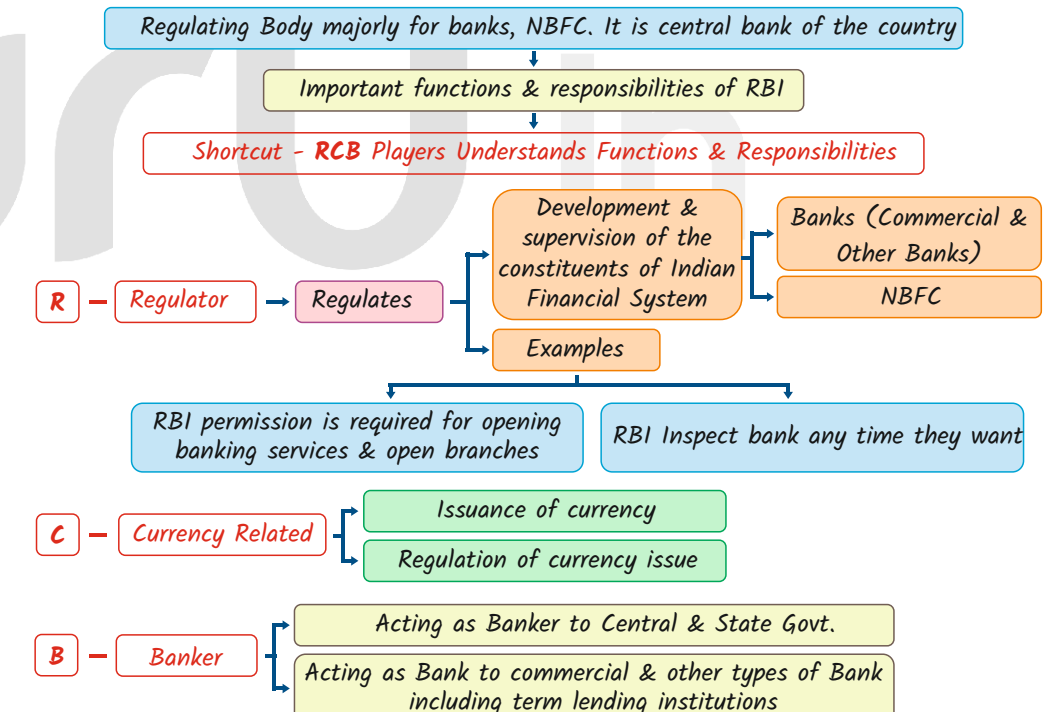


INTRODUCTION

LEGAL FRAMEWORK

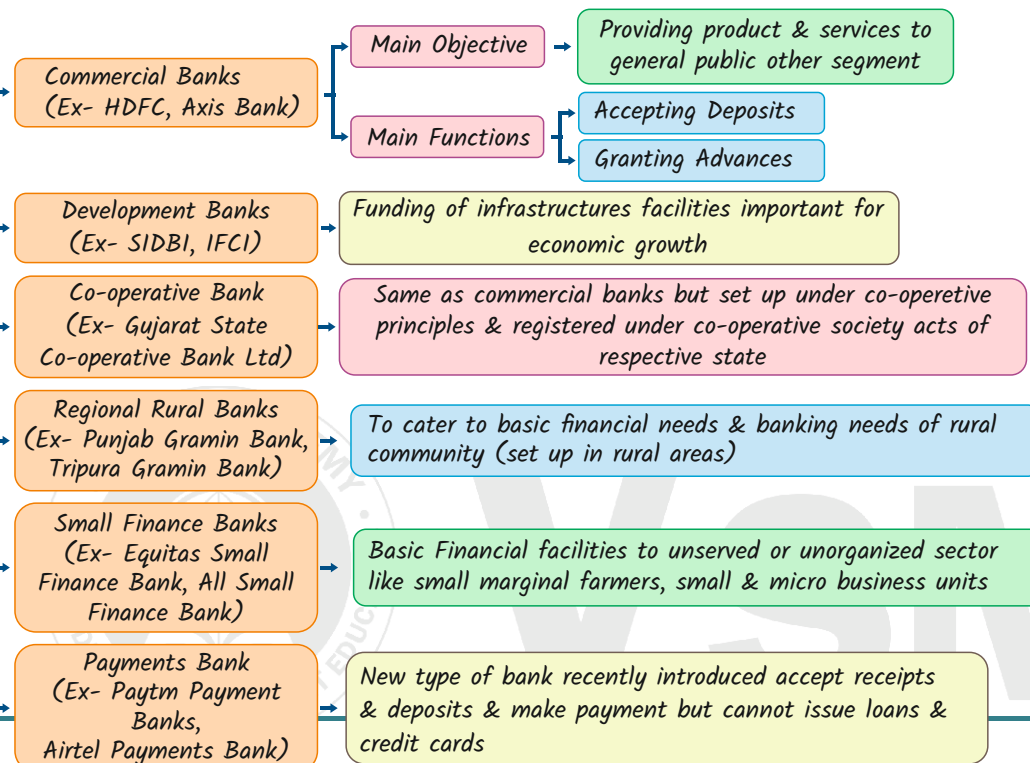


2 RESERVE BANK OF INDIA - REGULATING BODY



3

TYPES OF BANKS (IN DESCENDING SEQUENCE FOR EASE)

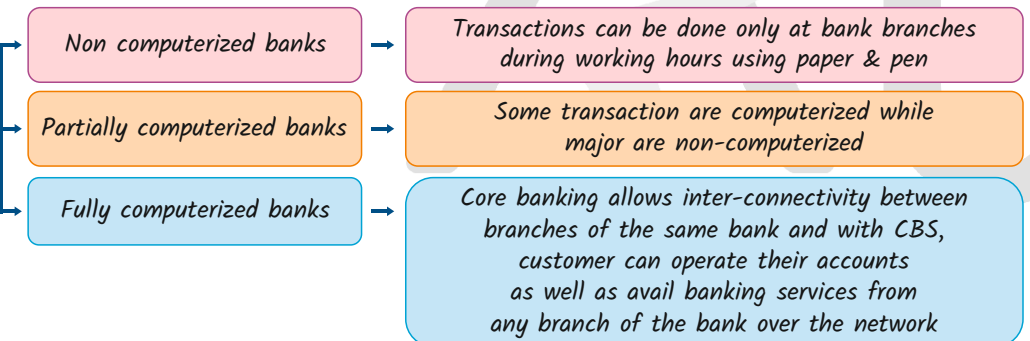


(CNO—BA.080)

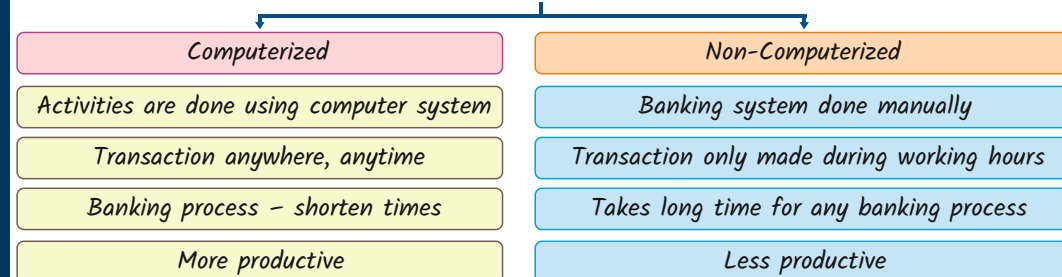
(MCQ—Incs.64.4)

4

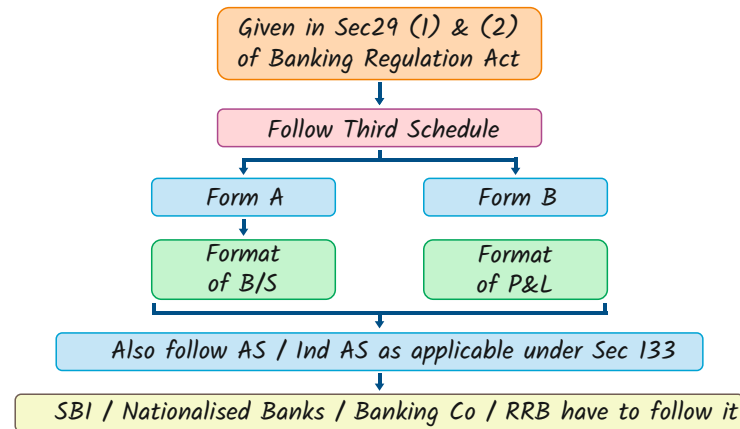
BANKS MAY BE DIVIDED INTO THREE BROAD CATEGORIES BASED ON LEVEL OF COMPUTERISATION



DIFFERENCE

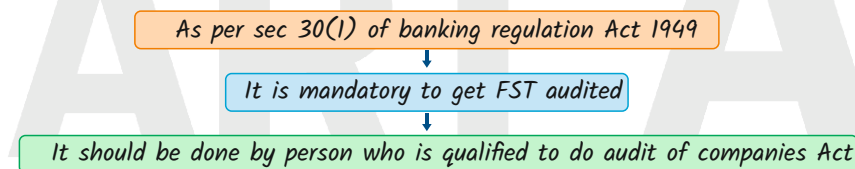


FORM / CONTENT / AUTHENTICATION



(CNO—BA.100)

AUDIT OF A/C

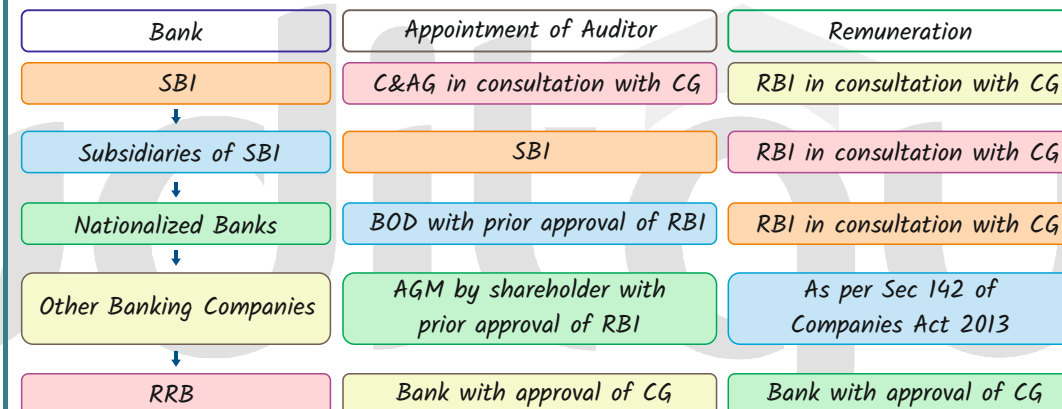


(CNO—BA.120)

(MCQ—BA.12, Incs.29.1, Incs.34.1)

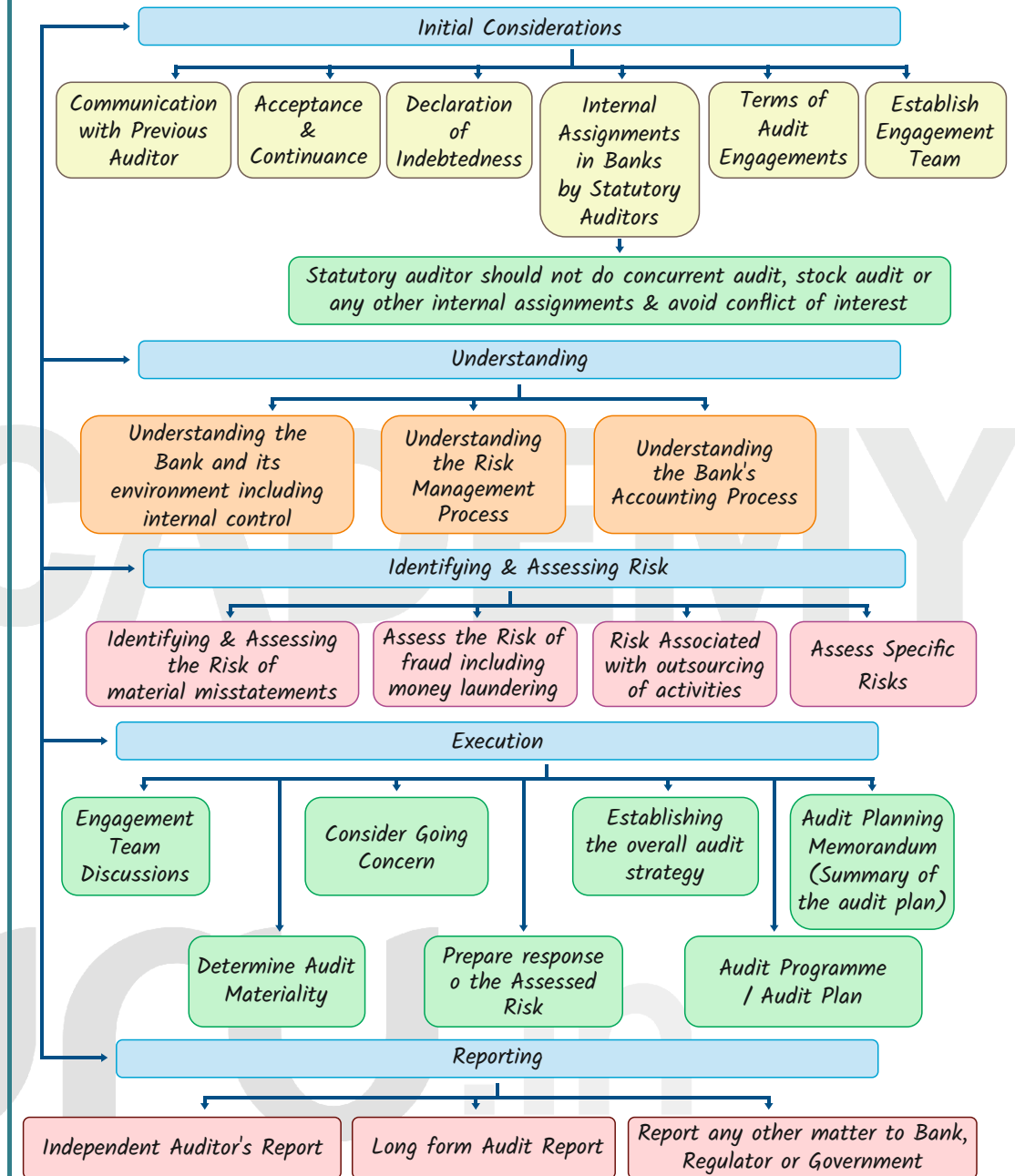
5

APPOINTMENT & REMUNERATION OF AUDITOR



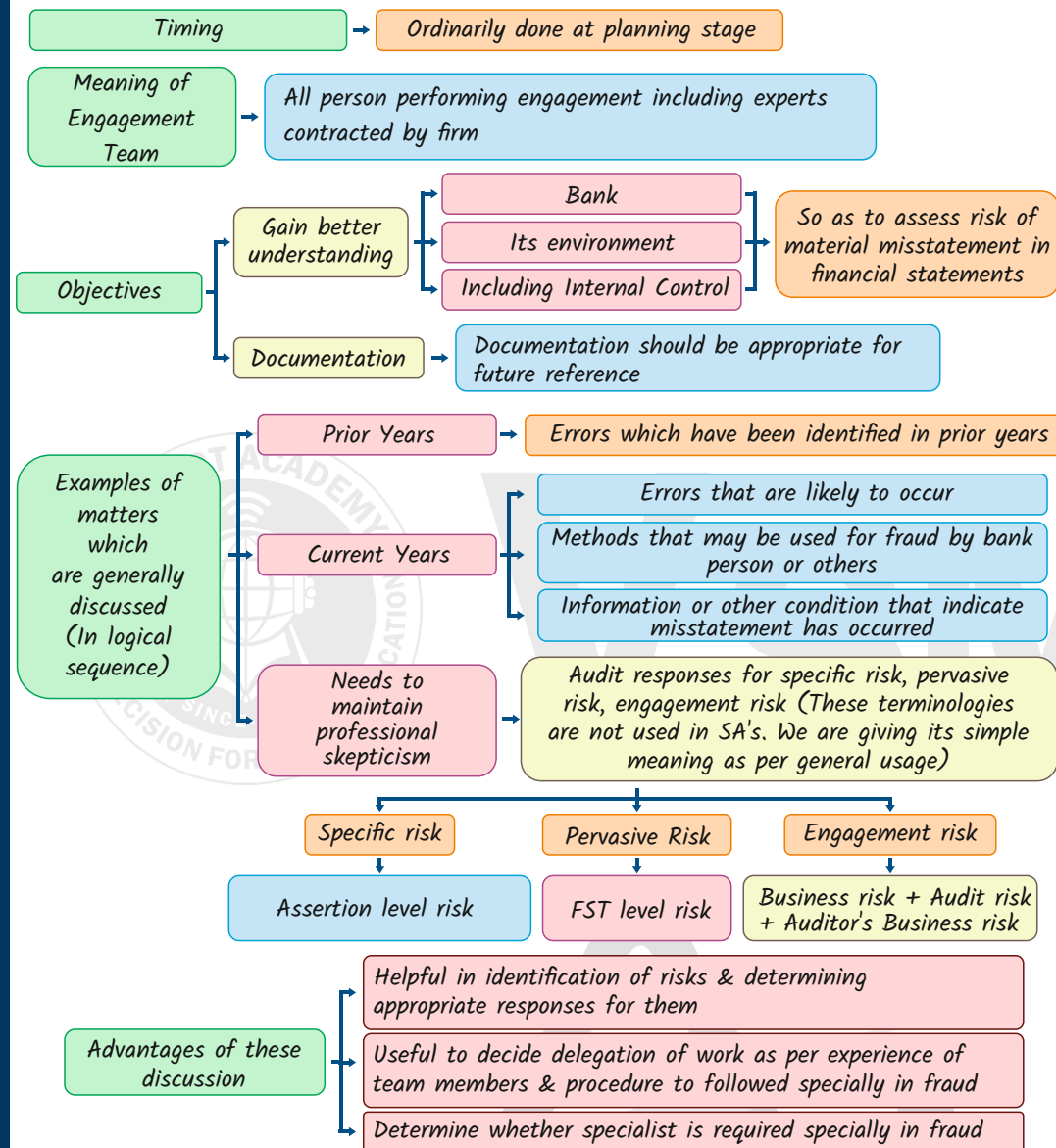
PROCESS

1 STAGES OF CONDUCTING BANK AUDIT



2

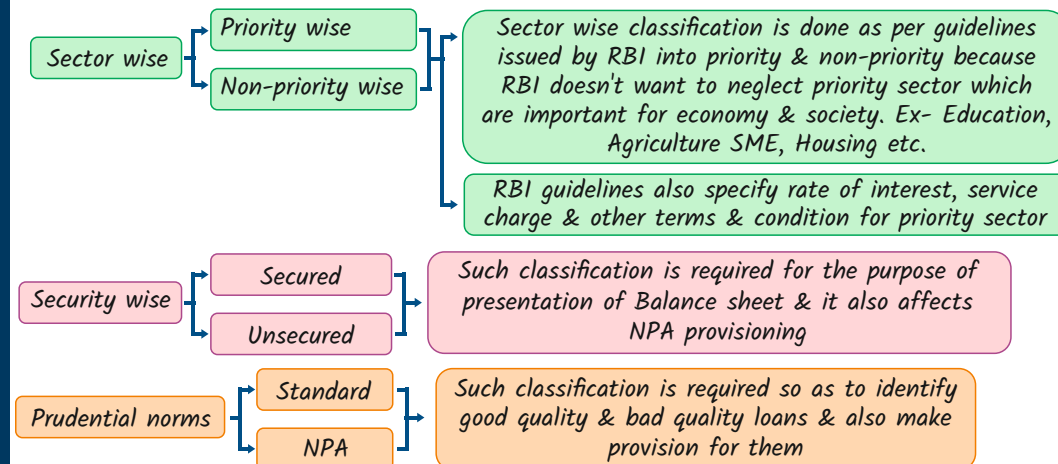
ENGAGEMENT TEAM DISCUSSIONS



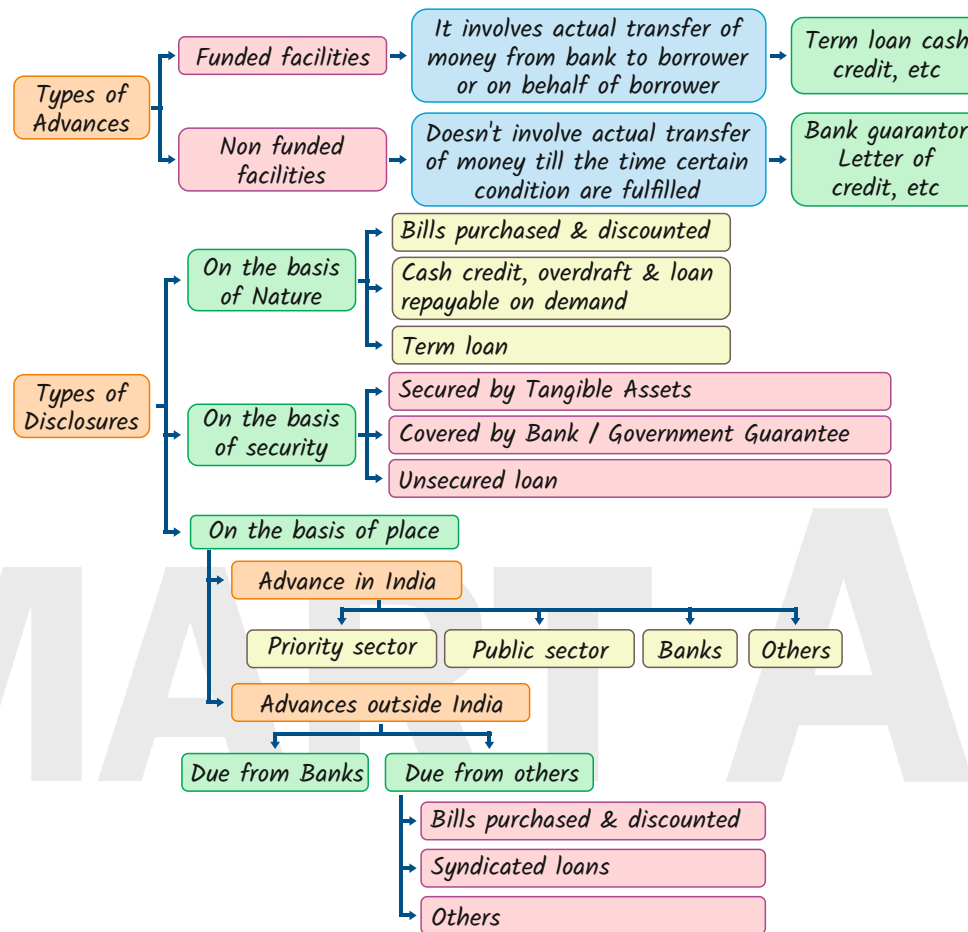
ADVANCES

1

CLASSIFICATION OF ADVANCES

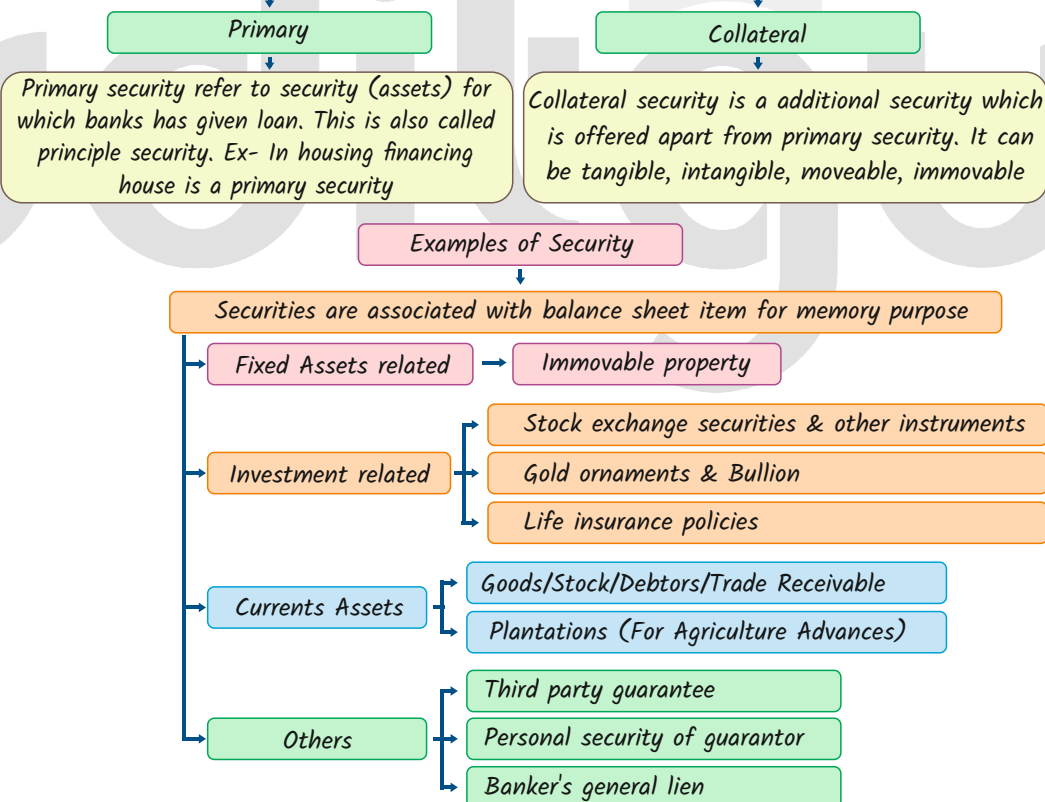


TYPES OF ADVANCES & DISCLOSURES



2

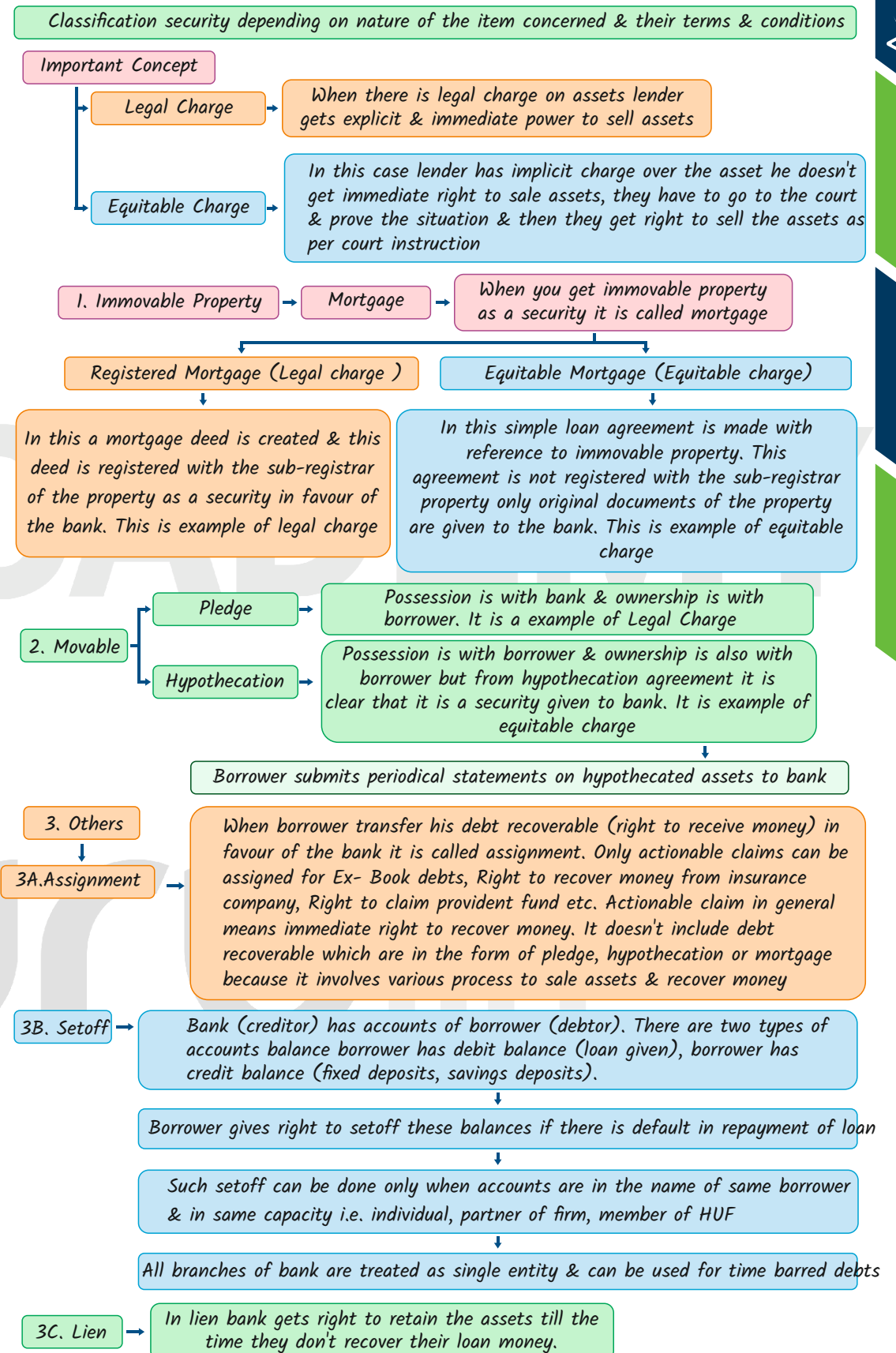
NATURE OF SECURITY



[Section 171 of Indian Contract Act, 1872 says that unless there is contract to contrary if bank is having possession of goods or any security of a borrower & during this time if there is a default from borrower then banks can retain these things with themselves till the time they recover their money. They don't have right to sell they have right to retain]

3

MODE OF CREATION OF SECURITY

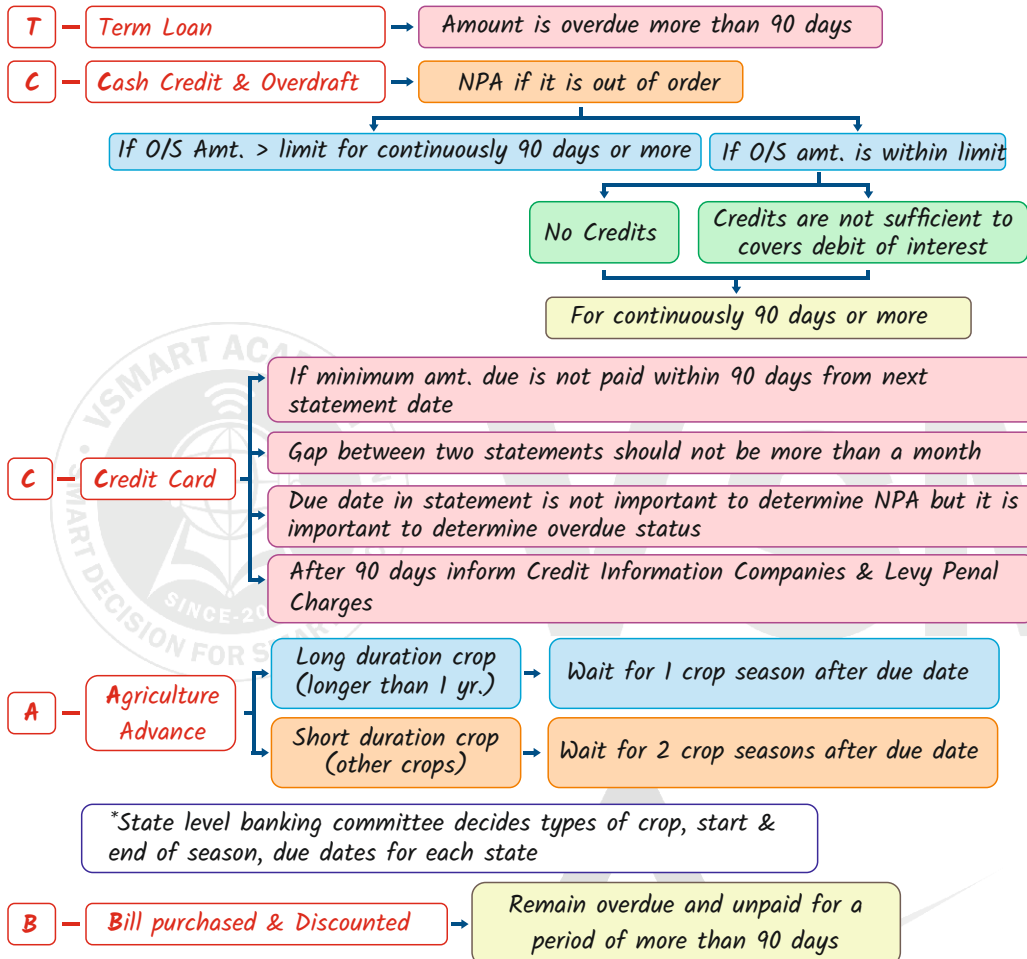


*We have changed the point which is explained in the module because it seems illogical & incorrect

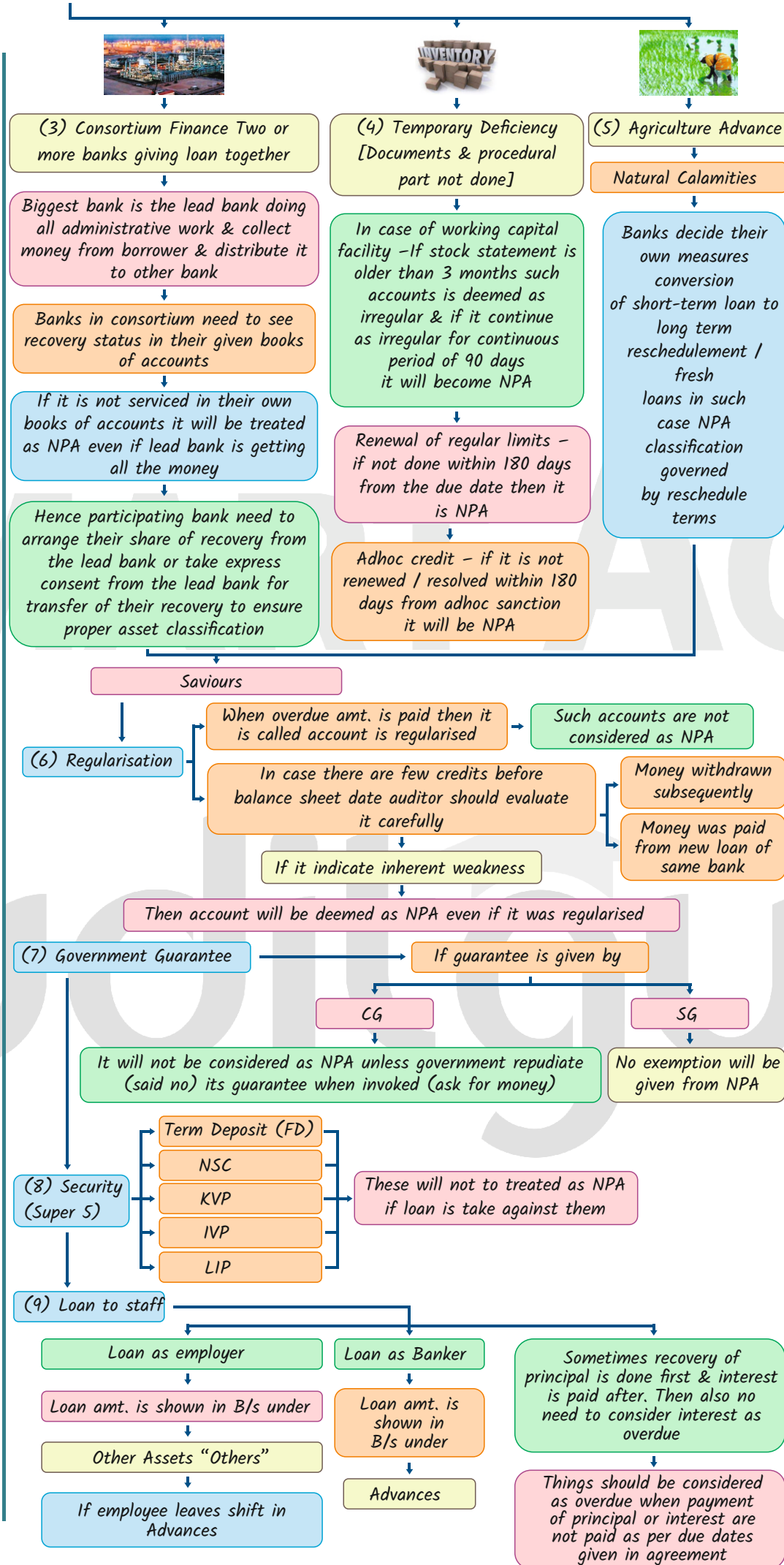
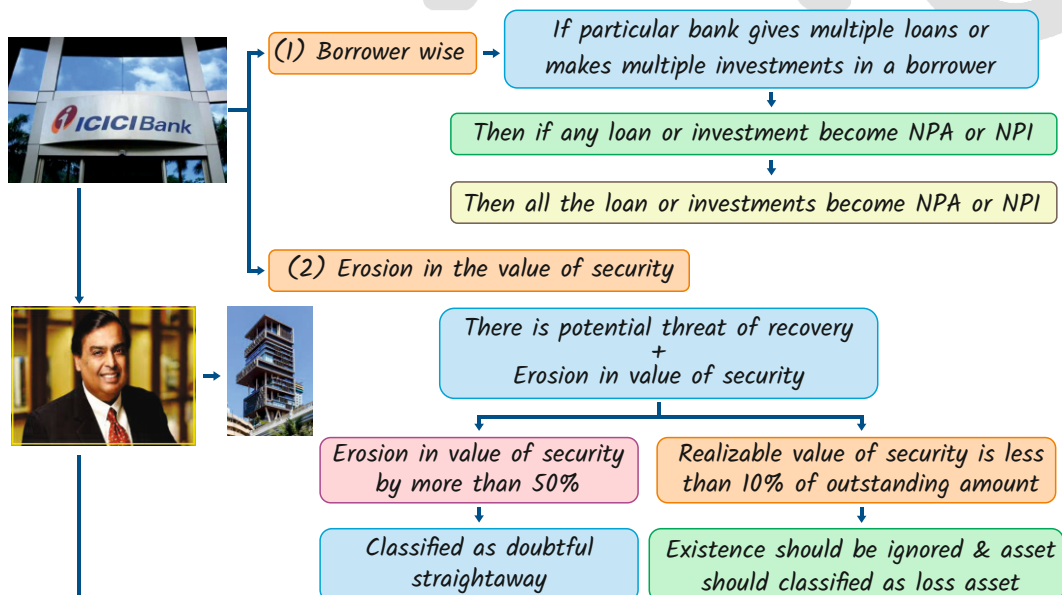


4 NON-PERFORMING ASSETS

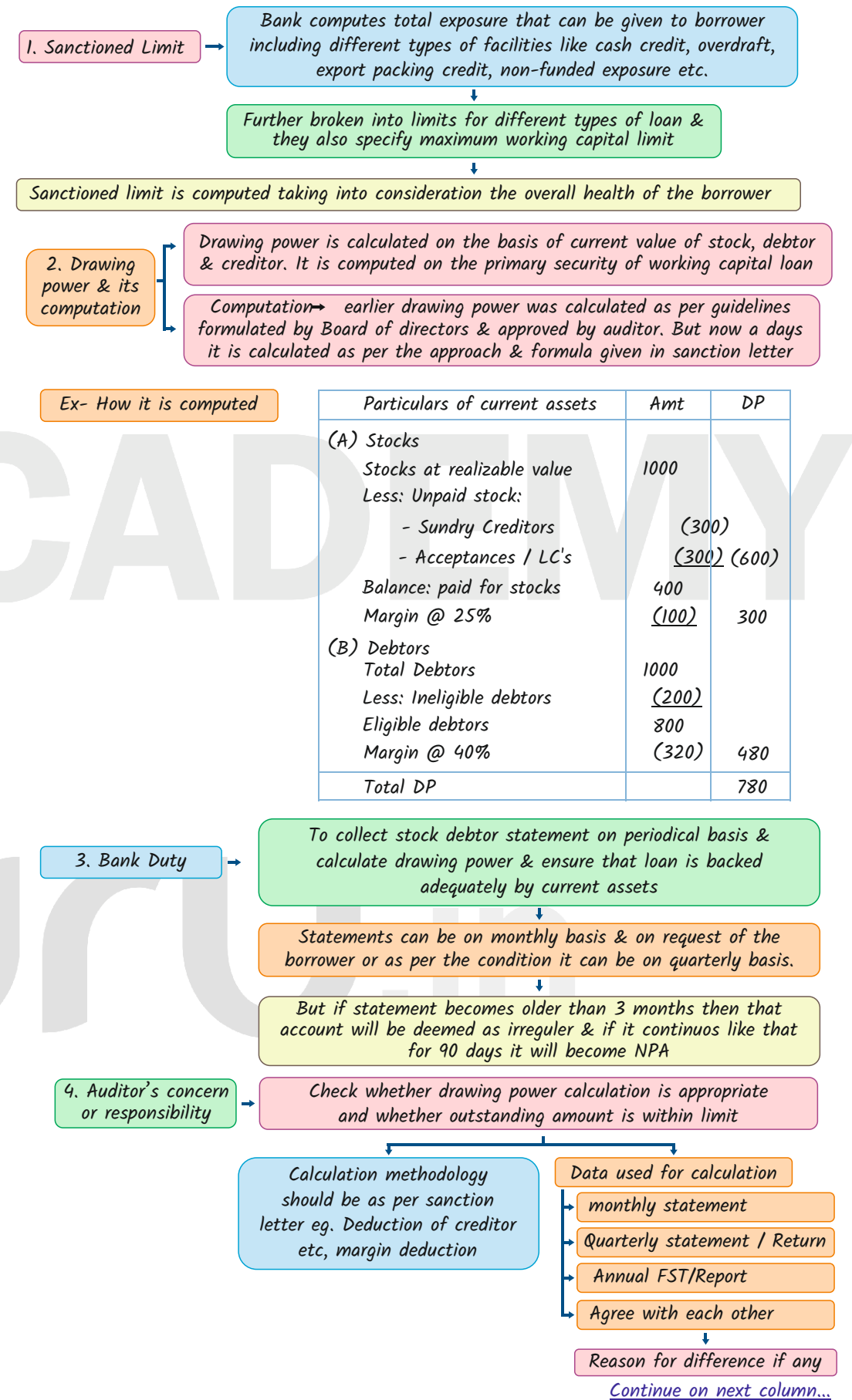
Shortcut - T - C²AB loan account is NPA



5 EXCEPTIONS & CLARIFICATIONS OF NPA's



6 COMPUTATION OF DRAWING POWER



5. Stock Audit

It is mandatory for all the accounts having funded exposure of more than 5 crores

It is done by different CA/CA firm

If it is consortium financing then lead bank will ensure stock audit is done & distribute report to all the banks

Stock audit report should be carefully evaluated & special focus should be on valuation security & on calculation of drawing power

6. Reporting Consideration

Account balance should be kept within the sanctioned limit as well as drawing power limit

Reporting should be done to management & head office in the following circumstances

- If Calculation not appropriate
- Sanctioned limit or drawing power limit crossed / exceeds the limit
- If account become irregular
- If unapproved securities are accepted as collateral securities

(CNO—BA.300)

(QNO—BA.17) (MCQ—Incs.64.2)

7 EVALUATION OF INTERNAL CONTROL OVER ADVANCES

1. Credit Worthiness (Ability to Repay)

Bank should ensure credit worthiness of borrower before sanctioning of loan

2. Security

Security requiring registration

Like property or vehicles banks should ensure that they are registered in name of bank or original title documents kept with bank

Goods in possession of bank

When goods are received they should be test checked & thereafter inspected by responsible officers of branch in addition to inspector of bank

Hypothecation

Stock records should be maintained & updated on monthly basis & on that basis drawing power register should also be maintained. Balance outstanding should be in the sanctioned limit & drawing limit & if any account crosses any limits it should be reported to authorities regularly

Shares & Debentures

To be on safer side bank should ensure that ownership transfer in name of bank & proper documents are maintained for same

3. Sufficient margin

Ensure that sufficient margin is deducted from securities as per agreement & sanctioned letter

4. Authorization

Sanctioned from appropriate authorities

5. Documents

Necessary documents such as agreement, promissory note are documented

6. Ensure compliance of end of funds with terms of sanction

7. Operations

Ensure that operation of each advance is reviewed at least once in a year & more frequently in case of large advances

(CNO—BA.320)

(QNO—BA.11/BA.13/BA.15)

8 AUDIT OF ADVANCES

Shortcut – Be **PROUD**³ of Advances given

B – Basis of Valuation

Examine whether basis of valuation appropriate (Foreign exchange rate etc.)

P – Provisions

Provisions towards advance should be as per RBI norms, accounting standards & generally accepted accounting principles

R – Recover ability of advances

Recover ability of advances should be recognized in valuation (In case of insolvency appropriate percentage as obtained from liquidator should be used)

O – Outstanding

Advance outstanding as on year end should appear in B/SEx- Advances given after year end should not be included. Recoveries during the year should be considered & advance given in next year should be ignored

U – Unrecorded Advances

No unrecorded advance. Ex- Foreign currency loan, new branches etc.

D – Documents

Loan amount should be supported by documents as per nature of advances

D – Due to bank

Advances should represent amt. due to bank considering restructuring, takeover & consortium

D – Disclosures of Advances

Disclosures, classification & description of advance in notes to accounts should be as per regulatory req. & recognized accounting practices

(CNO—BA.340)

9 SELECTION OF ADVANCES

Substantive procedures should be performed over all large advances, all problem a/c's, all advances which are adversely commented by RBI inspection team, concurrent auditor, bank internal inspection team

Further on sample basis advances should be selected from remaining accounts

Notes By Students



INCOME & EXPENSES

I AUDIT OF REVENUE ITEMS

Shortcut - RATING of Revenue by PM & CM

R - Reversal of Income

Reversal of Interest income

As soon as account becomes NPA all accrued income related to that particular loan a/c should be either reversed or provided for

Income from such a/c's should be booked on realization basis (cash basis)

This is applicable even if loan or advance is guaranteed by govt.

Reversal of other income

Fees / Commission or similar income from the borrower whose a/c has become NPA should not be booked on accrual basis. It should be booked on collection basis or realization basis

Reversal of wrongly recognized income

If bank has wrongly recognized any income then it should be reversed in current year or provision of equal amount should be made

Reversal after communication from borrower

Borrower may point out difference or mistake of interest being charged to his accounts & if it is justified then such reversal is done. This will lead to large debits in the accounts.

Auditor should check it carefully

A - Allocation of Discount in Bills purchased

If bill purchased is outstanding at the year end that means part of the discount falls in next year it is called unexpired discount or rebate on bill discounted

Such discount should be transferred from discount account to rebate on bill discount a/c.

Rebate on bill discount should be shown under the heading of other liabilities

If Bank rediscounts bills purchased then discount expense on such rediscounting expense should not be netted off with discount income

T - Test Check

Interest earned should be checked for sample items

Fees or Commission on bills for collection, letter of credit, Bank guarantees should be checked on sample basis

Continue on next column...

I - Investment related income

Income on Investment

Includes interest on govt bonds, debentures etc & dividend income on shares

Exception / Adjustment

Dividend from subsidiaries & JVs will be excluded & shown in other Income

Broken period interest (accrued interest) on securities should be netted off / adjusted against interest income

Premium (difference between purchase price & redemption value) on SLR investment should be amortised & netted off from the interest income

Profit on sale on investment

Should be shown as other income

Profit / Loss on Revaluation of investments

Banks have to regularly value the investment as per RBI circulars

Shown in other Income

N - NPA effect on different types of loans

Finance Lease

Finance lease is a type of loan given, installment of lease includes finance income. It is booked as per AS 19

In case of NPA all accruals should be reversed & income should be booked on realization basis (cash basis).

Loan given on basis on super S securities

In case of such loans interest income will be booked to the extent of available margin

Ex- Loan 100

Value of securities 125

Margin 25

Interest can be booked upto 25 on accrual basis

Takeout Finance

Meaning- Banks finance infrastructure project, after projects are completed & successfully operational for specified time banks invite financial institution to takeover this loan, so that they free their money for other projects this is called takeout finance.

If loan involved in takeover arrangement has become NPA in books of lending bank, then bank should be careful they should book interest income but it should be booked only when interest income is received either from taking over institution or borrower

G - General Points

Unrecorded income

No income should remain unrecorded

Recorded income

It should belong to bank

Recorded at proper amount

Allocated to proper period

Continue on next column...

R - Restructuring

Fees or commission charged on re-negotiated / re-scheduled loans should not be booked immediately

It should be booked & deferred over the remaining period of the rescheduled / renegotiated loan

P - Partial recovery

Meaning through example

Installment overdue 10 lakhs
Principal - 8 Lakhs
Interest - 2 Lakhs
Recovery - 1 Lakh
It is called partial recovery

Treatment

It should be as per agreement between banks & borrower

If agreement is silent then bank has right of appropriation, but bank should exercise their right in uniform & consistent manner across various loans by making standard policy

Accounting policies should be as per appropriations done by the bank

Interest income will not be booked if the funds are out of fresh additional facilities given by the bank to concerned borrower

M - Materiality level

RBI has given two materiality levels

For income booked on gross basis → 1% of TI

For income booked on net basis → 1% of NPBT
Ex- P/L on sale of investment

Treatment

Income item which fall below materiality level can be booked on receipt basis. Auditor should not qualify audit report

Basic principle for income recognition

Further income should be booked on accrual basis only when it is reasonable to expect ultimate collection

C - Bill for Collection

Banks earns commission on collection of bills on behalf of customers. It is a service income it should be booked only when collection is completed & amt. credited to customer account not before that.

M - Memorandum account

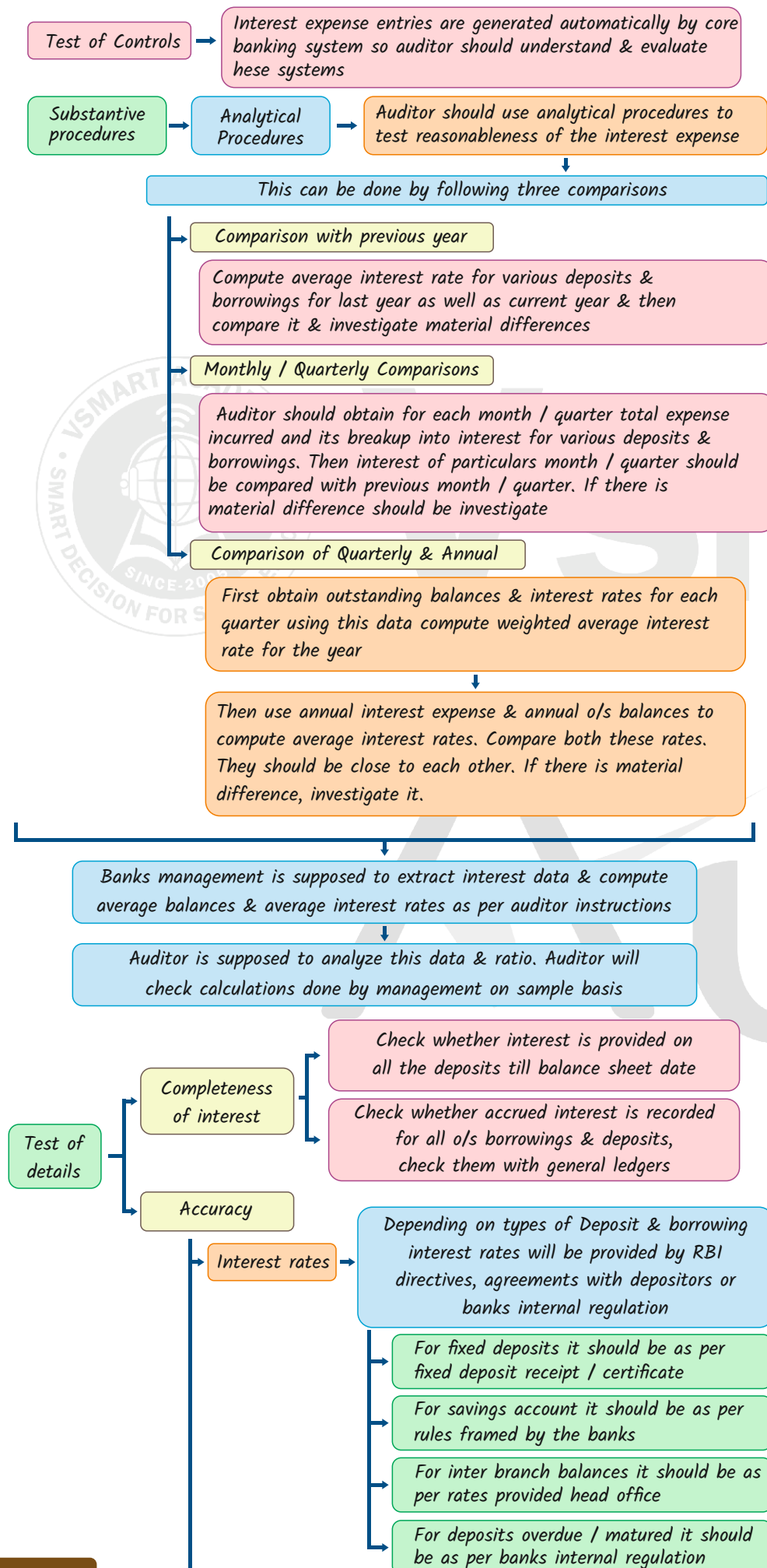
Banks may maintain separate memorandum account outside financial books to keep record of accrued incomes & total amount of loan recoverable from borrowers including interest.

It is only kept for the purpose of information & other purpose & not for accounting purpose

Amt. shown in balance sheet is net off this accrued interest income in case of NPA



2 AUDIT OF INTEREST EXPENSE



Continue on next column...

Changes in interest rates

If there is a change auditor should ensure that proper changes are made in the system from particular date. Further he should also obtain interest cards for all the quarters & for different types of deposits & analyze whether interest cost has changed accordingly

Re-computation

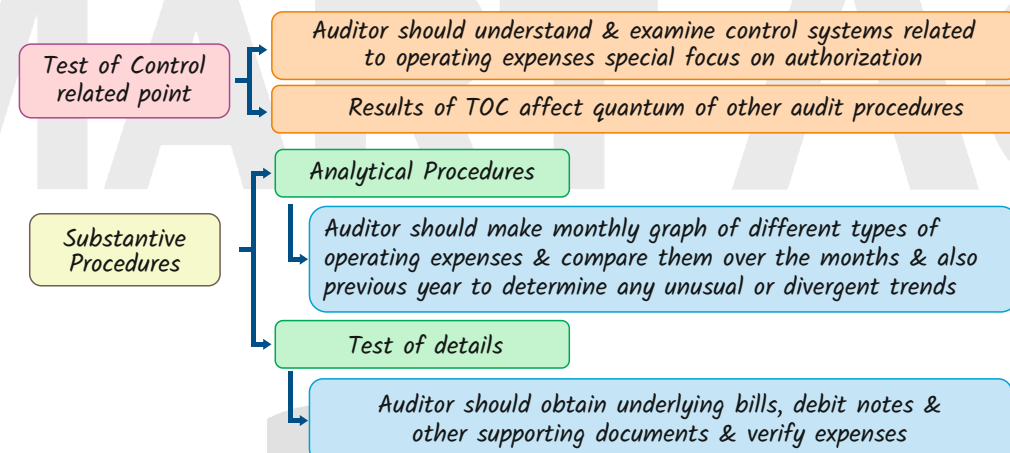
Auditor should himself recompute interest on sample basis.

He should ensure that rate of interest, amount o/s, period used is appropriate as per term sheet, agreement, deal ticket etc.
(Meaning of deal Ticket : Summary of terms & Conditions of any trade/transaction/borrowing)

(CNO—BA.400)

(QNO—BA.20)

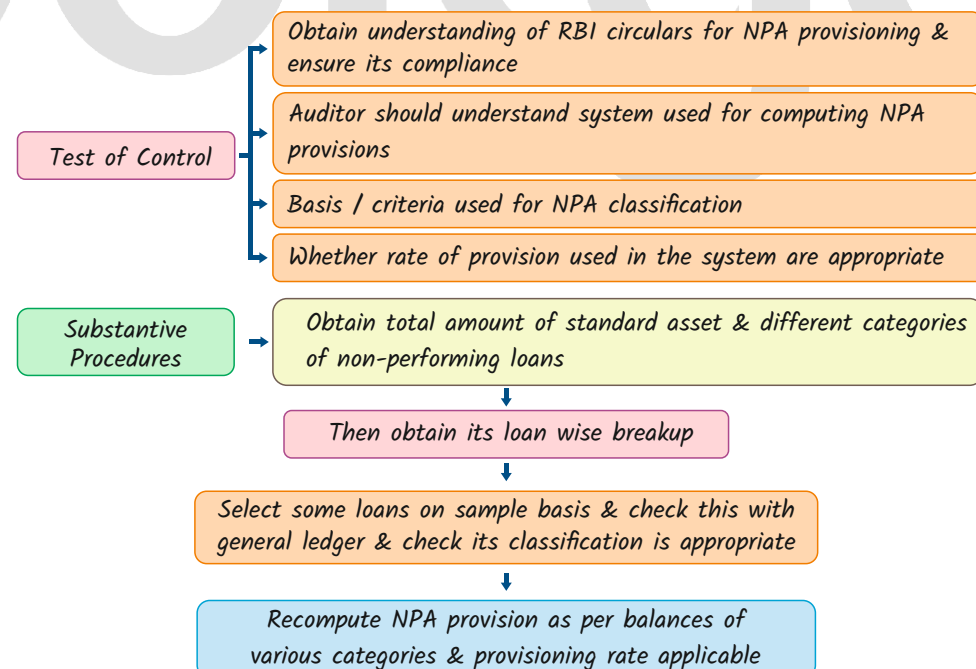
3 AUDIT OF OPERATING EXPENSES



(CNO—BA.420)

(QNO—BA.20.50)

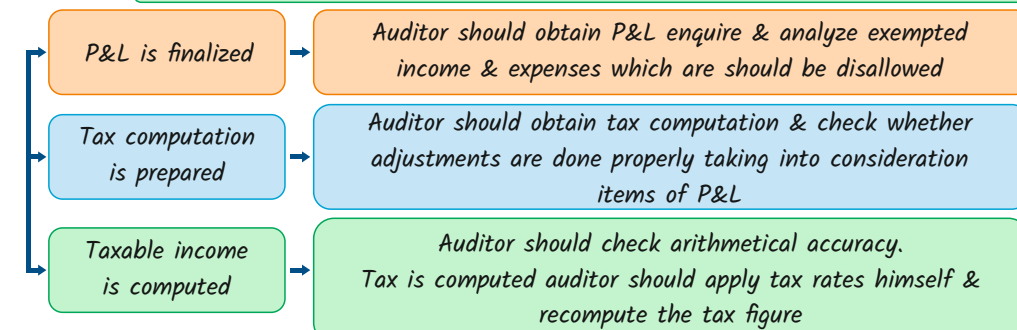
4 AUDIT OF NPA PROVISION



(CNO—BA.440)

5 AUDIT OF TAX PROVISION

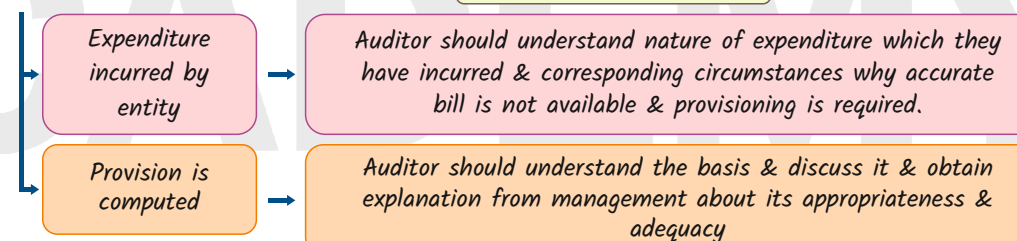
Just imagine how things are performed in practical life to retain following points



(CNO—BA.460)

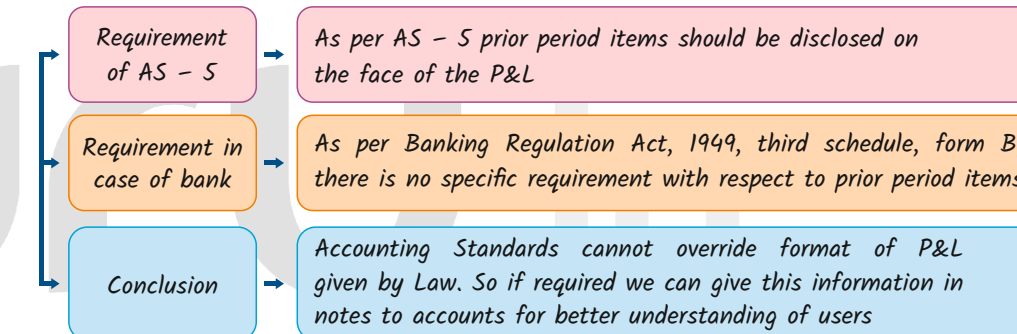
6 AUDIT OF OTHER PROVISIONS

Imagine the practical flow



(CNO—BA.480)

7 DISCLOSURE OF PRIOR PERIOD ITEMS



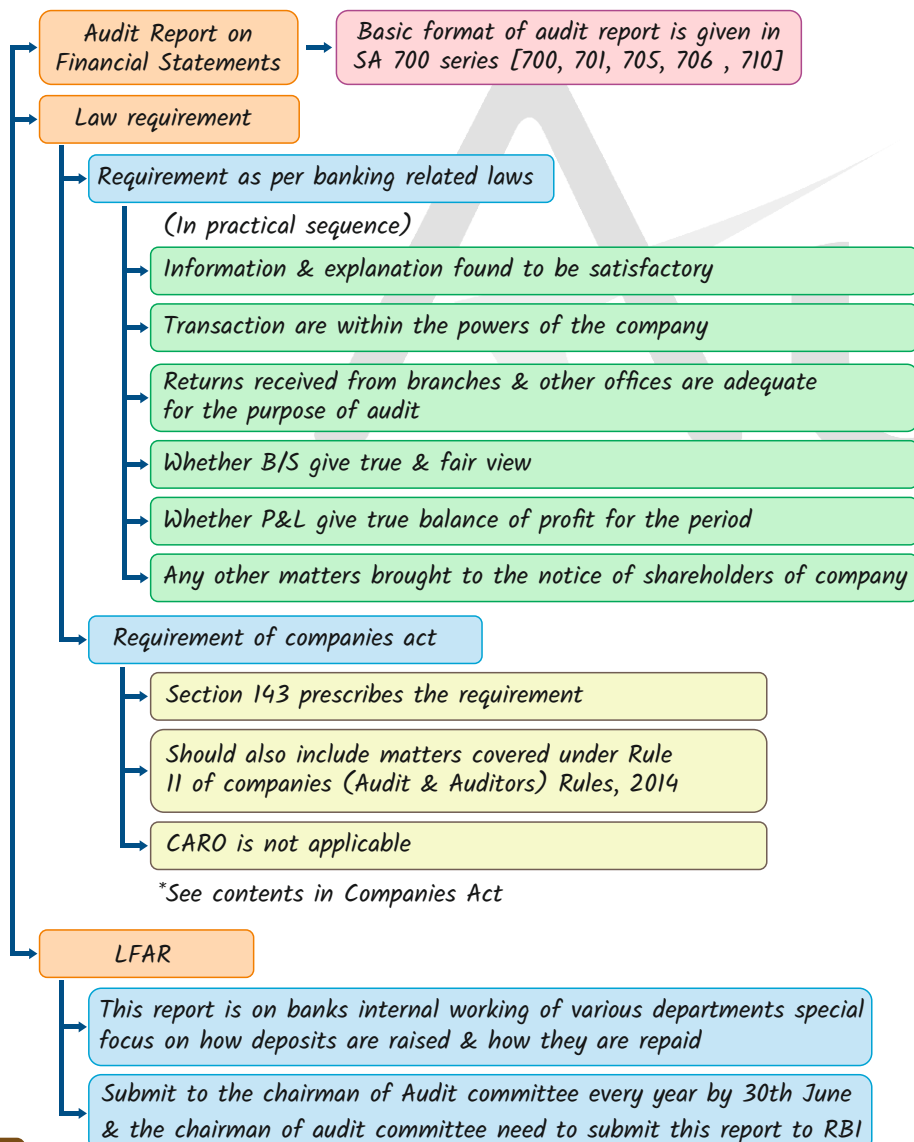
REPORTING

1 TYPES OF BANK AUDIT REPORTS TO BE ISSUED (GENERALLY)

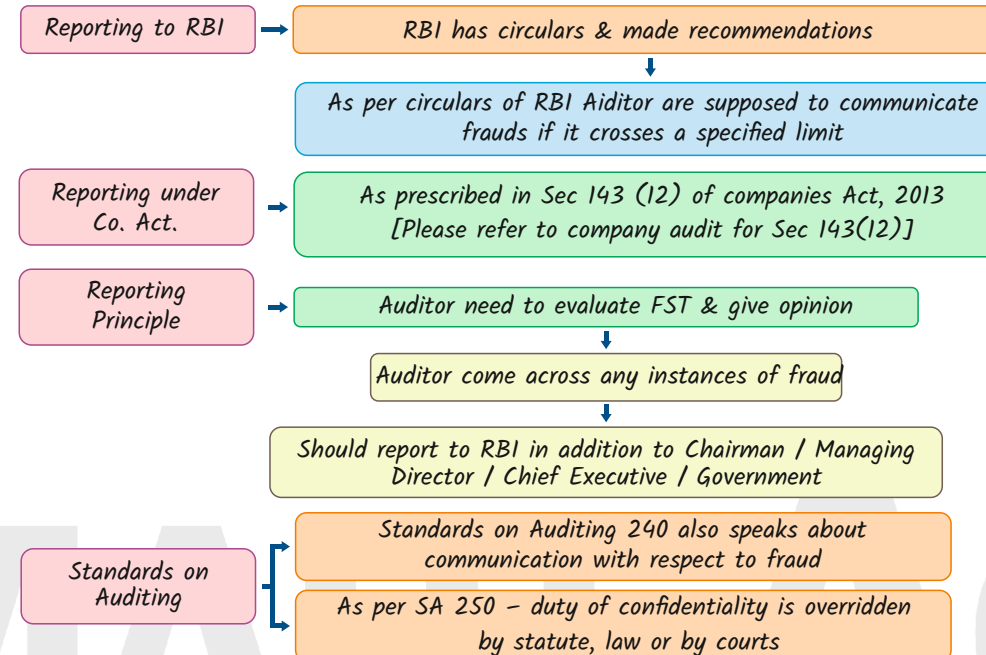
Shortcut : - Report Should be in **ITALICS**

- Report on IRAC done as per RBI guidelines
- Report on treasury operation conducted as per RBI instructions
- Report on adverse credit deposit ratio in rural areas
- Long form Audit Report
- Bank registered as companies → Report u/s 143(3)(i) of the companies Act 2013
- Report on compliance of bank regard to implementation & recommendation on
 - Ghosh Committee (relates to fraud & malpractices)
 - Jilani Committee (relates to internal control & inspection / credit system)
- Report on compliance with SLR requirements

2 REPORTING IN BANKS (Audit Report on FST)

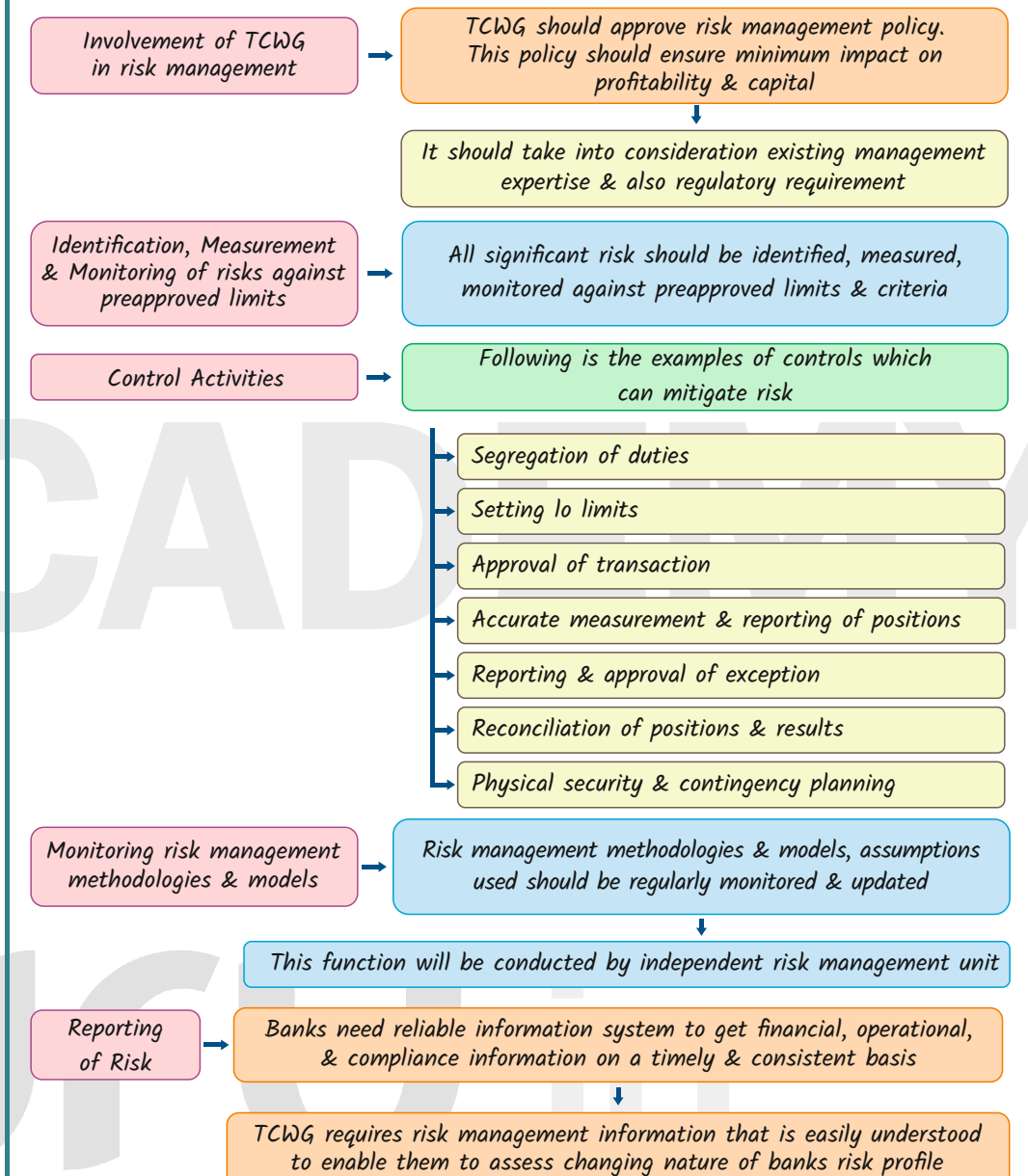


3 FRAUD REPORTING



OTHER

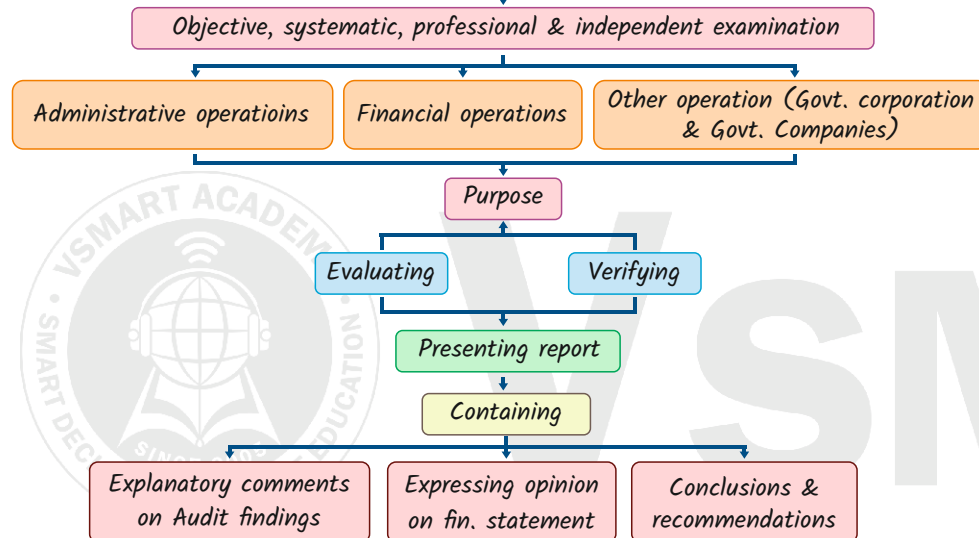
1 EFFECTIVE RISK MANAGEMENT SYSTEM



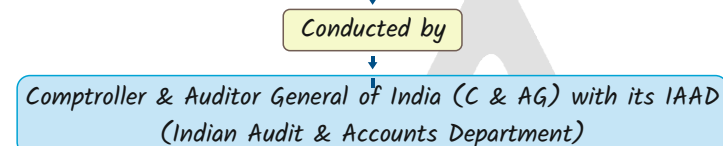
Part 2

(CNO-GA.010) (MCQ-Incs.45.1)

MEANING OF GOVERNMENT AUDIT

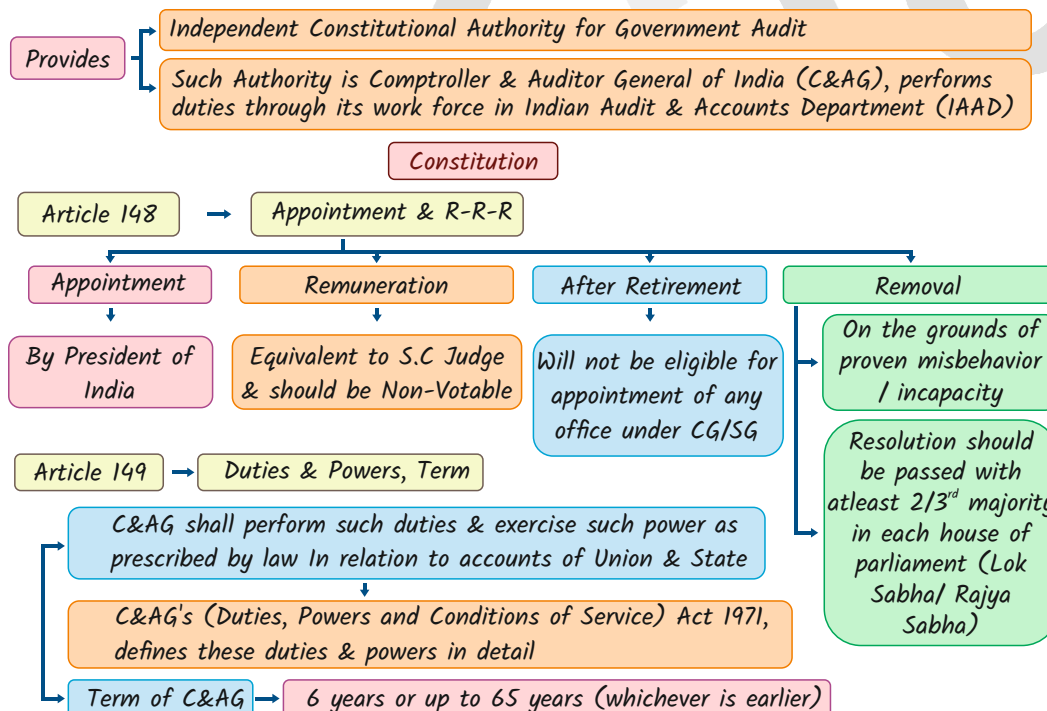


GOVERNMENT AUDIT

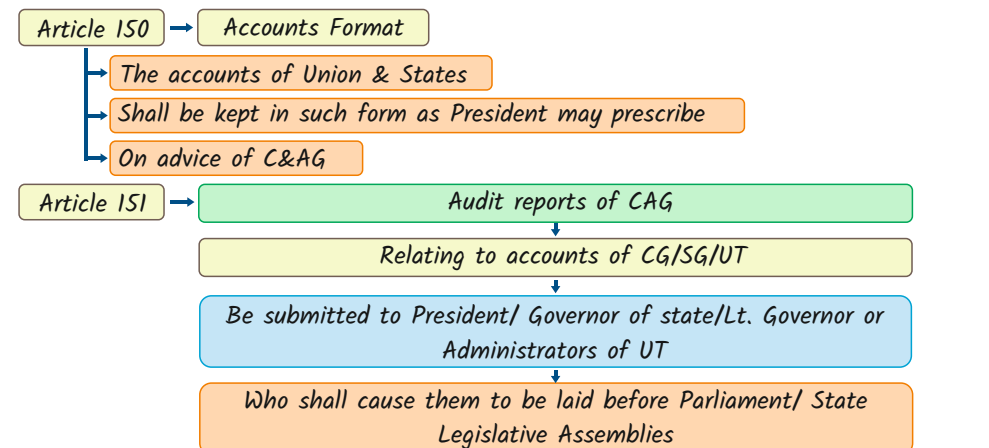


(CNO-GA.020) (MCQ-GA.2)

LEGAL FRAMEWORK FOR GOVERNMENT AUDIT

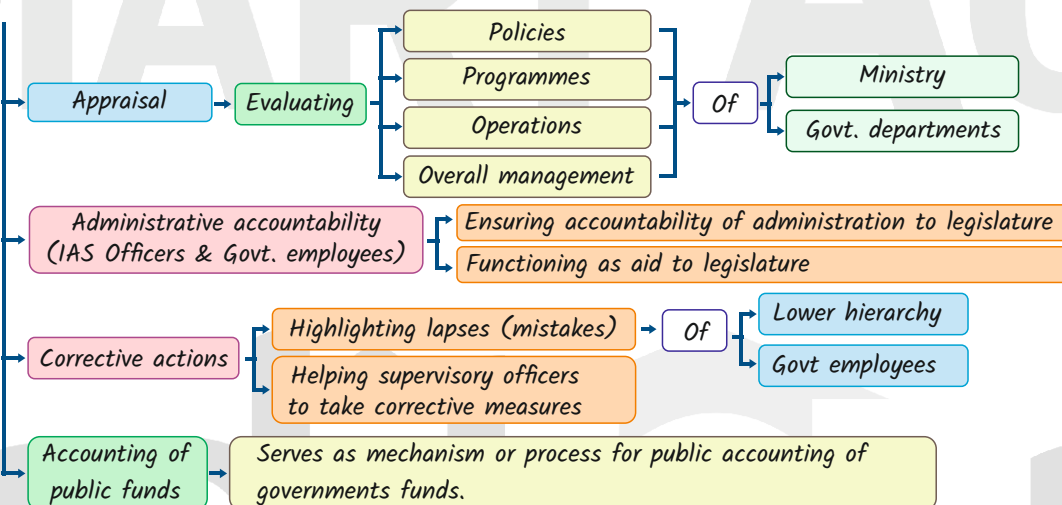


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(CNO-GA.030) (MCQ-Incs.60.1)

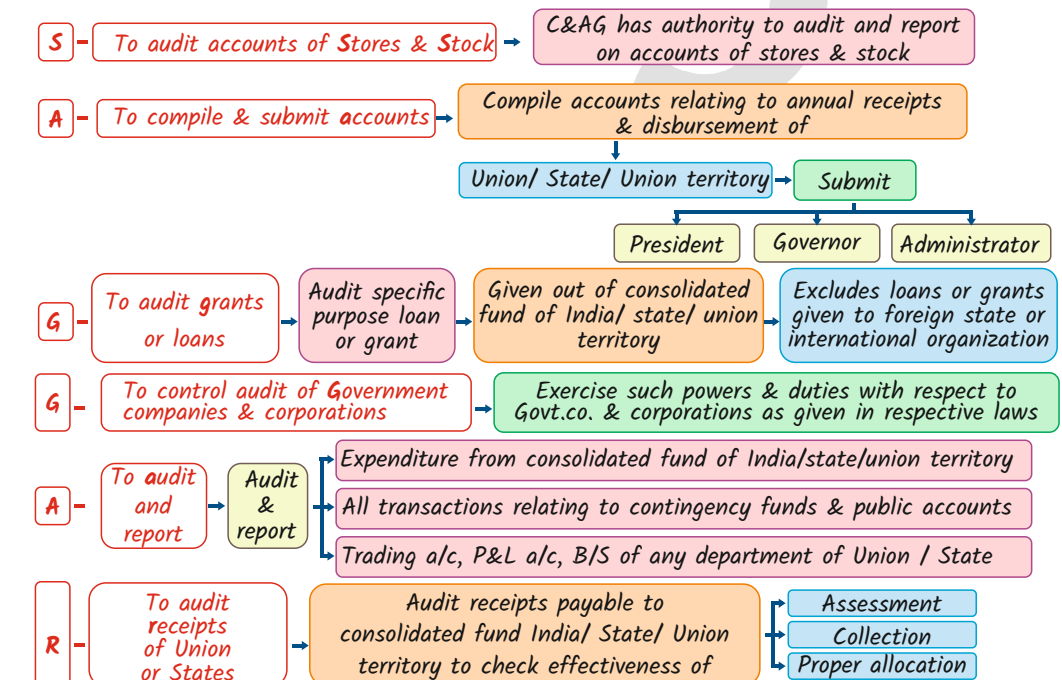
OBJECTIVES



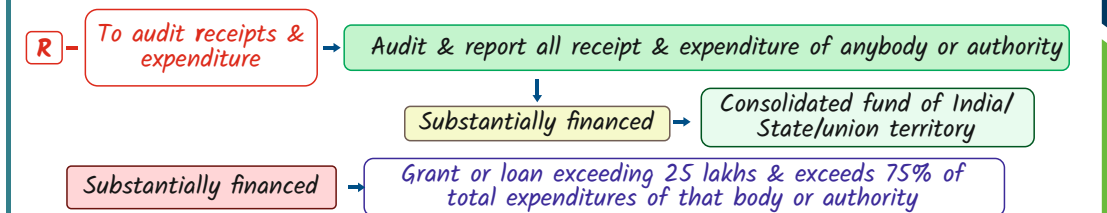
(CNO-GA.040) (QNO-GA.01, GA.03)

DUTIES OF C&AG

Shortcut **SAG²AR²**

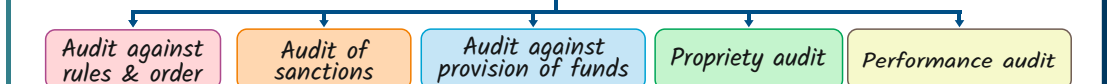


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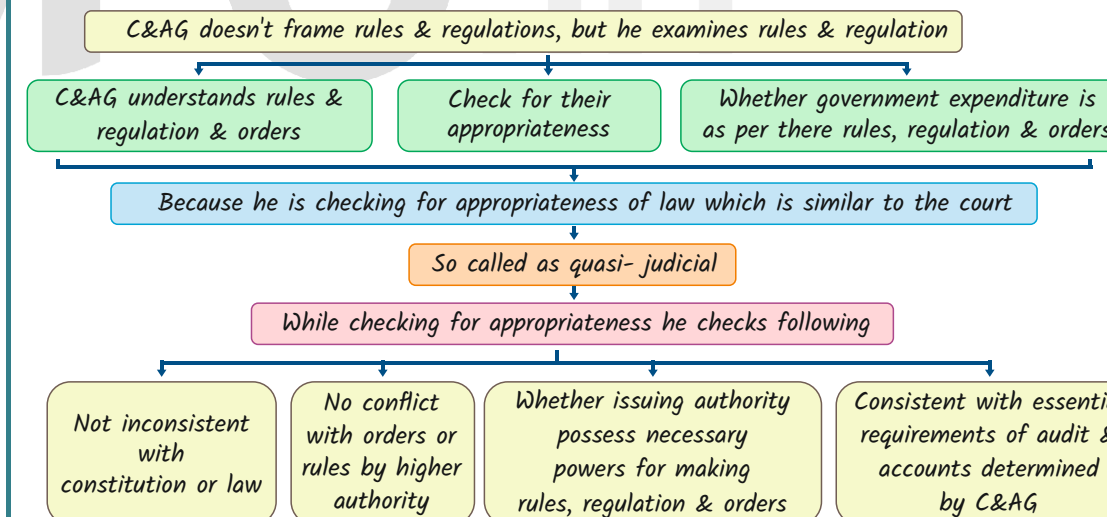
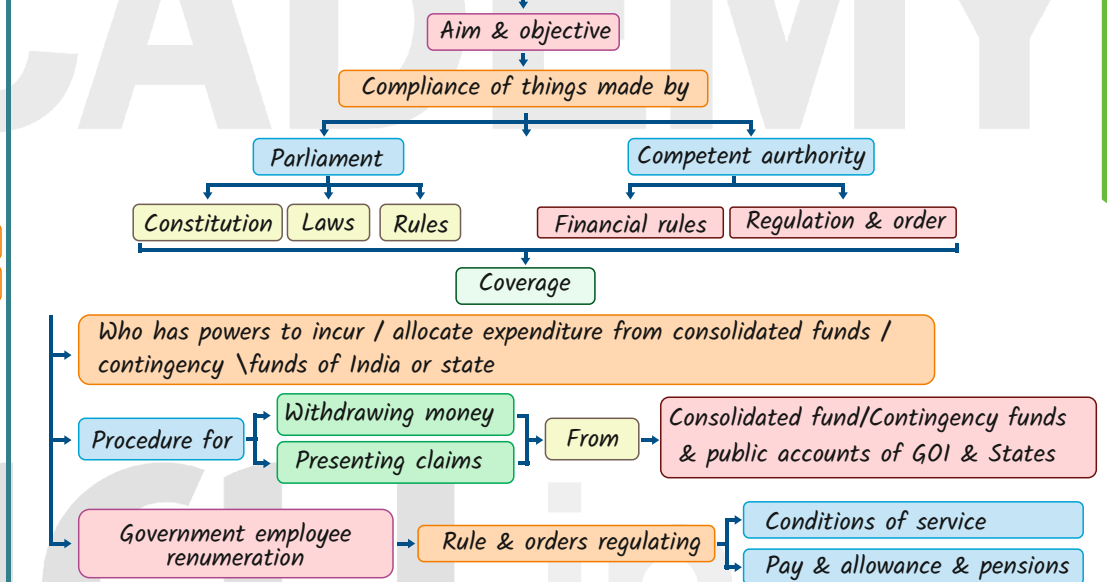
(CNO-GA.060) (QNO-GA.05) (MCQ-Incs.60.2, 60.4)

AUDIT OF EXPENDITURE



(CNO-GA.080) (MCQ-Incs.45.2) (QNO-GA.10)

AUDIT AGAINST RULES & ORDER (REGULATORY AUDIT)





CA Ravi Taori



VSMART ACADEMY



Auditguru.in

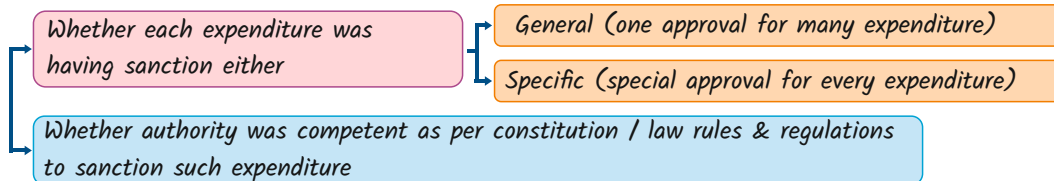


Doubts

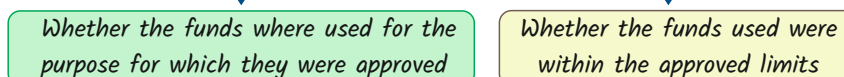


Telegram

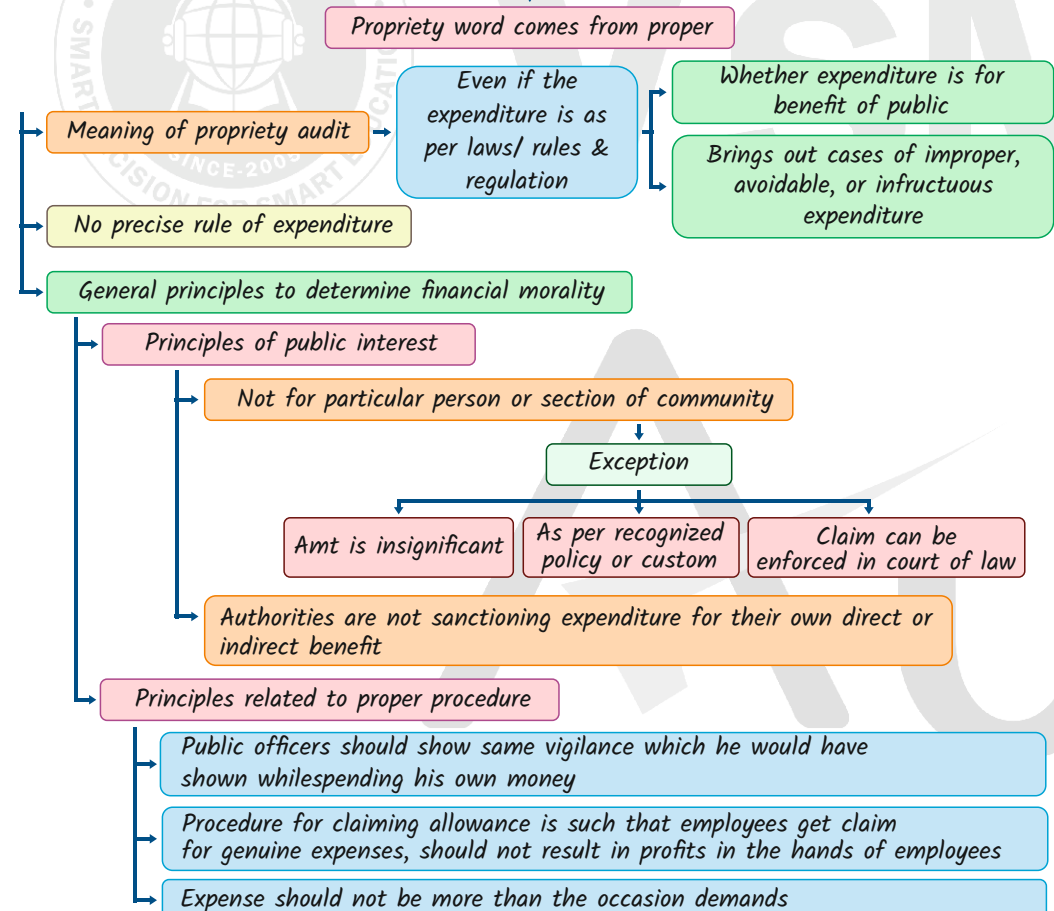
AUDIT OF SANCTIONS



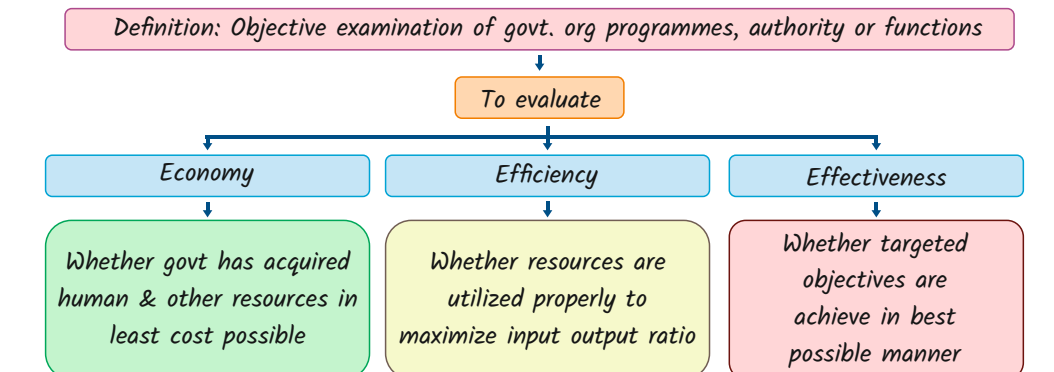
AUDIT AGAINST PROVISION OF FUNDS



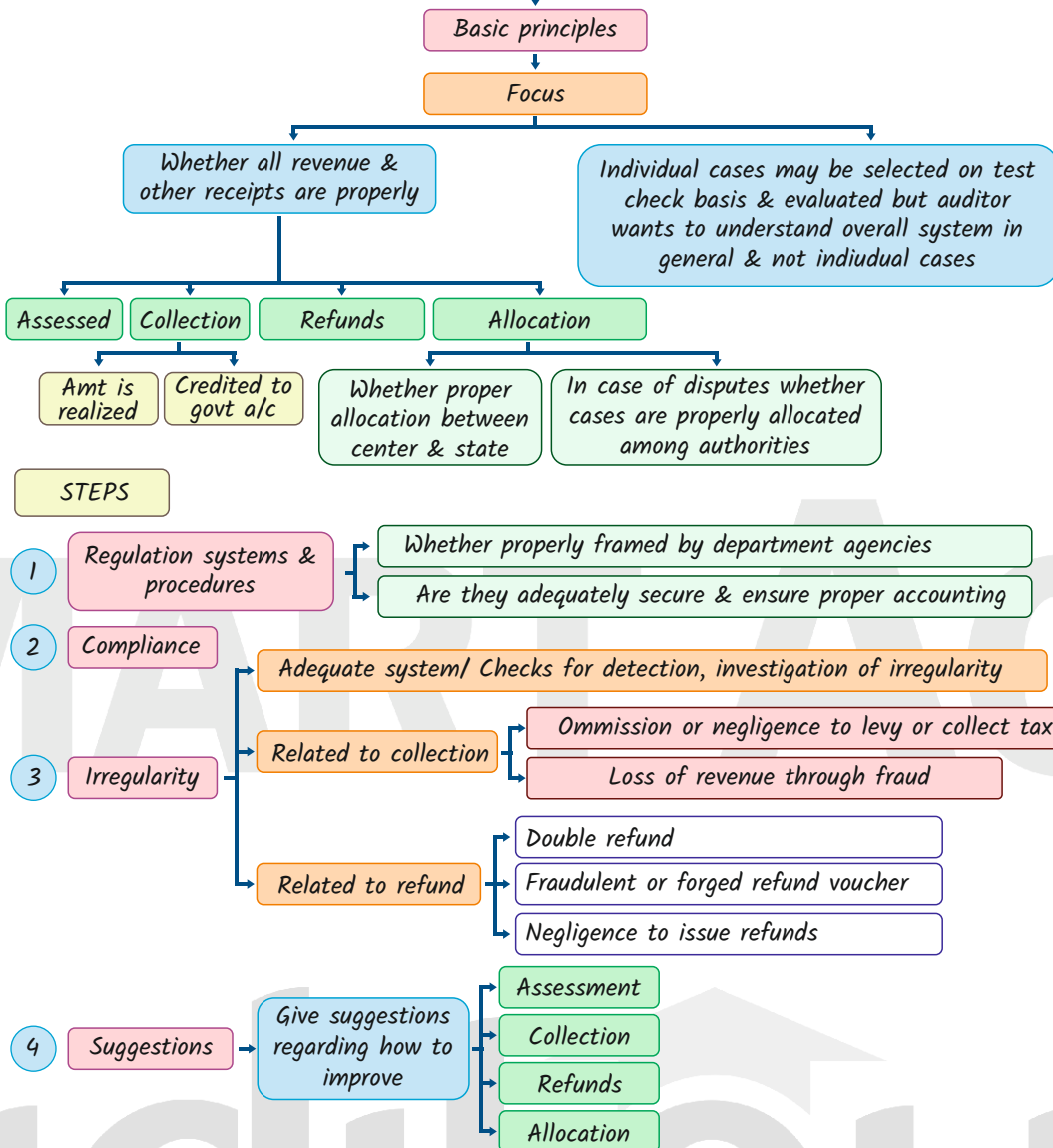
PROPRIETY AUDIT



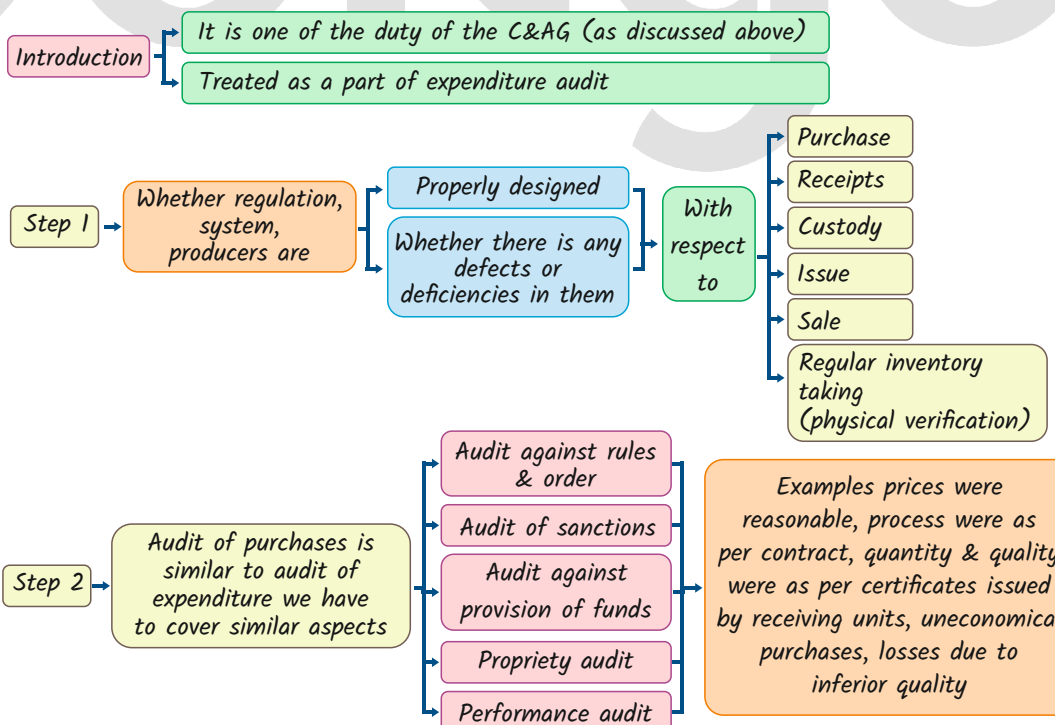
PERFORMANCE AUDIT



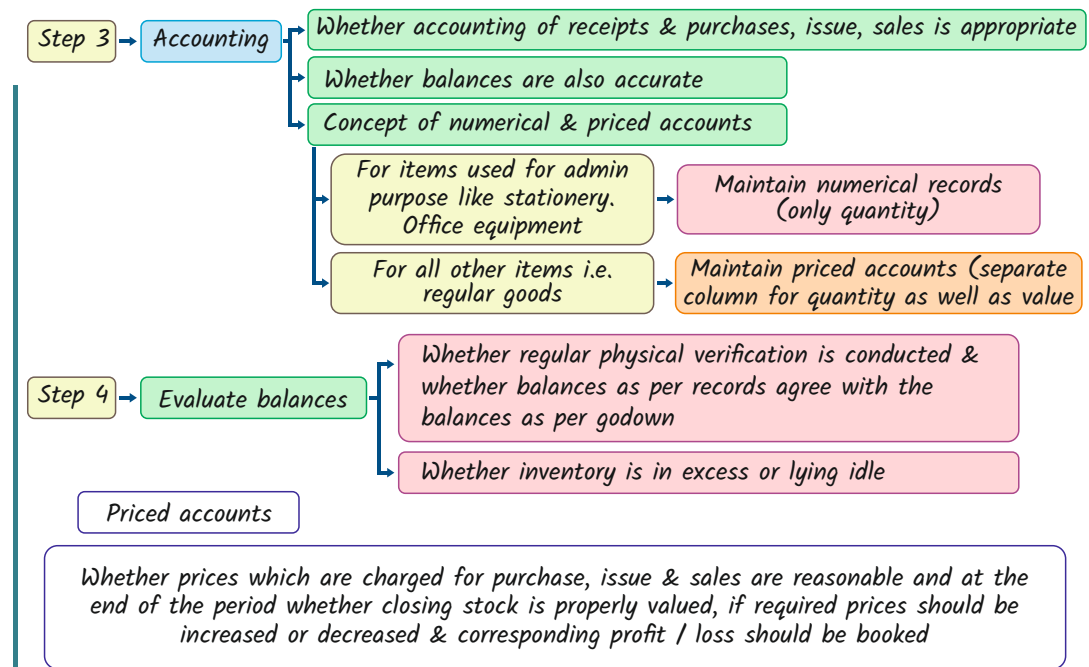
AUDIT OF RECEIPTS



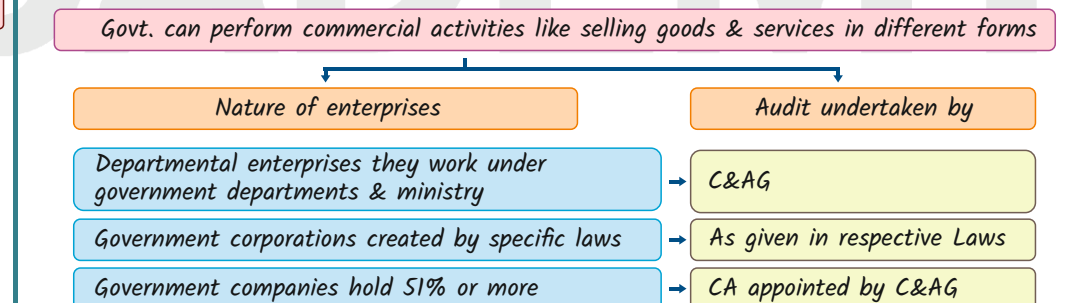
AUDIT OF STORES & STOCKS



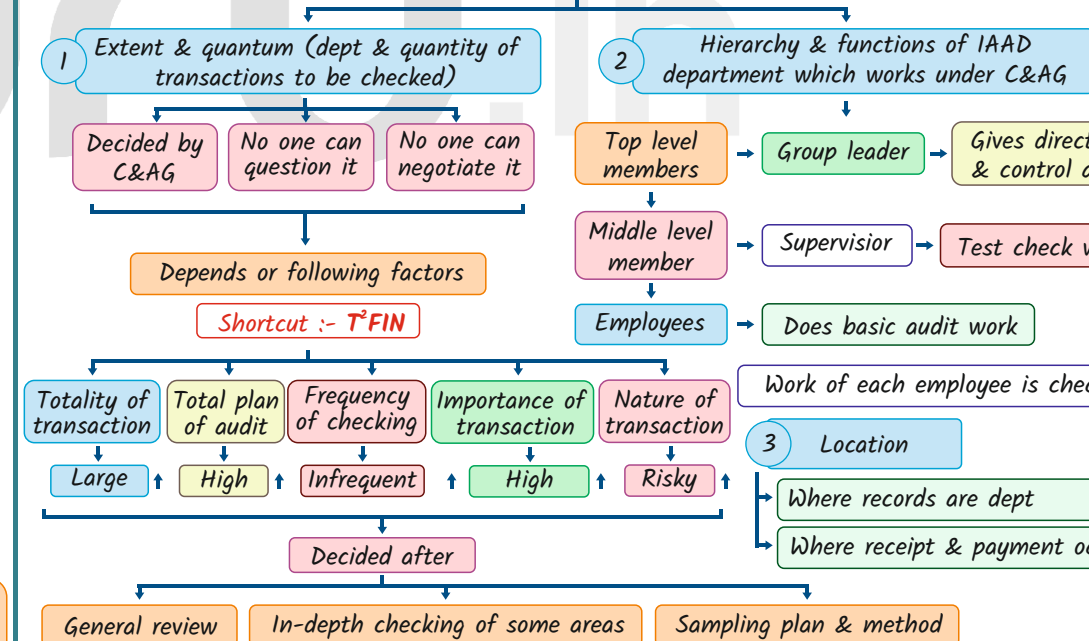
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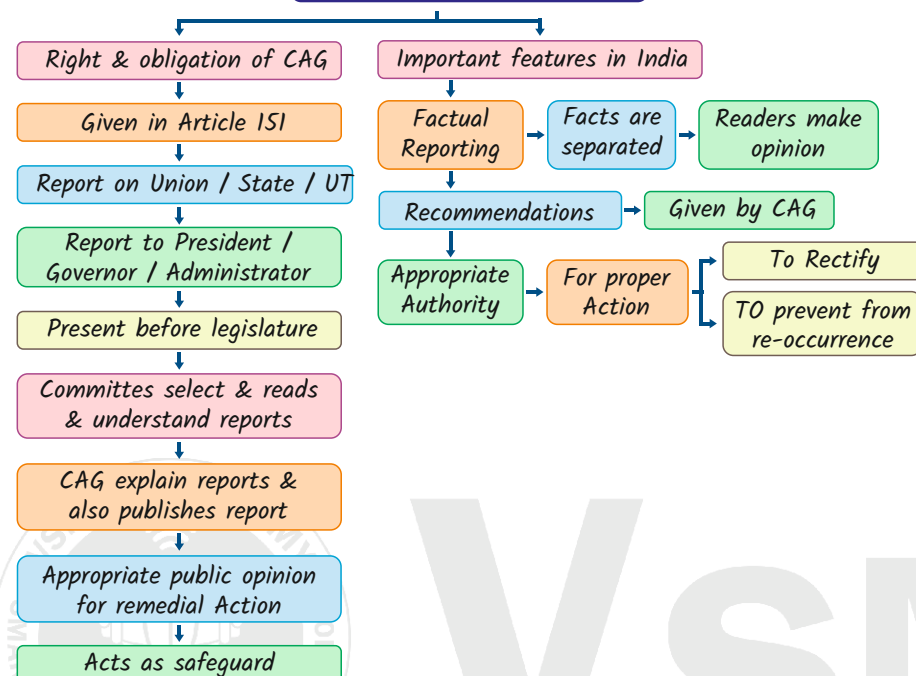
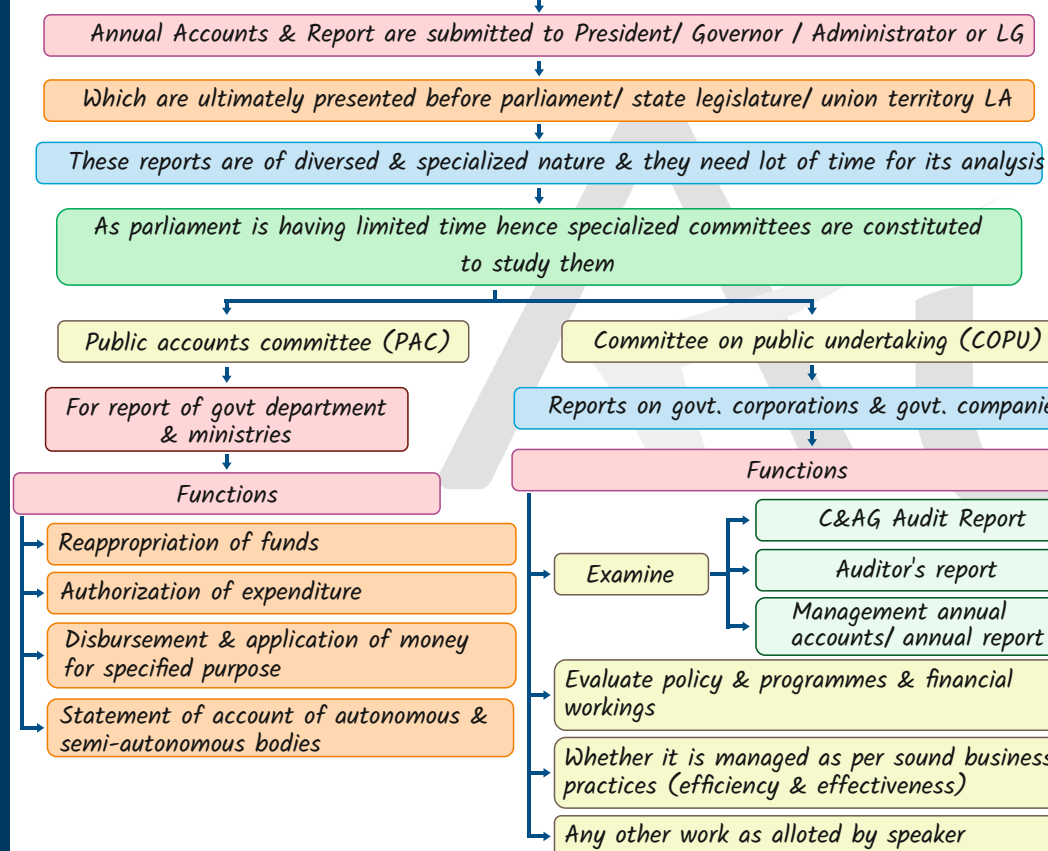
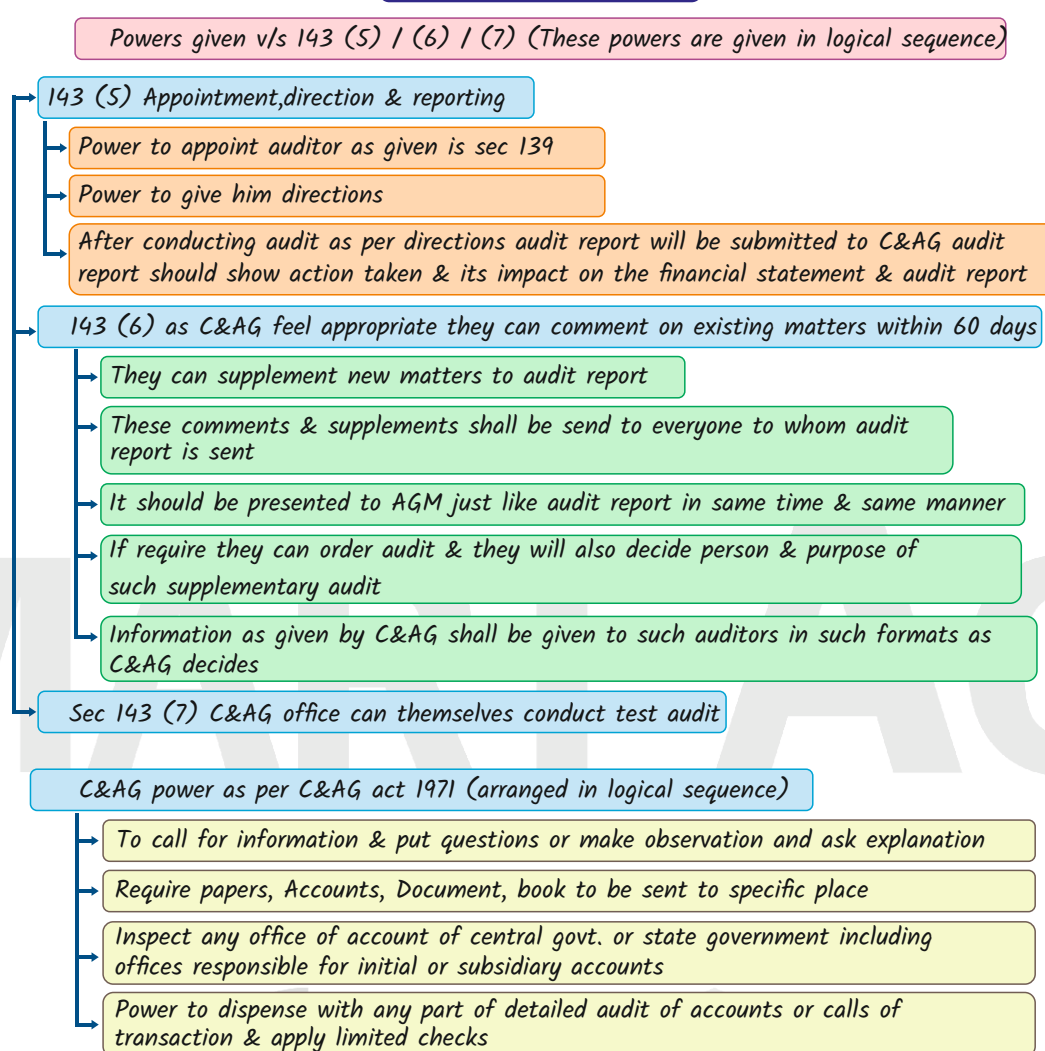
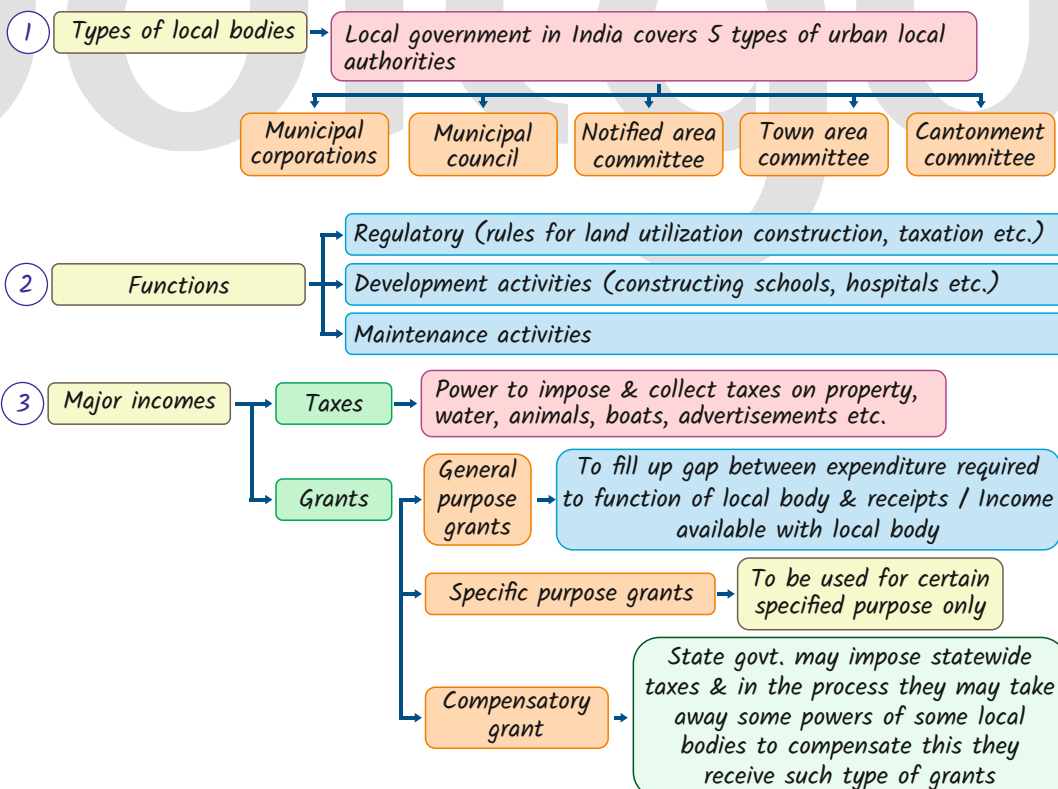


AUDIT OF COMMERCIAL ACCOUNTS



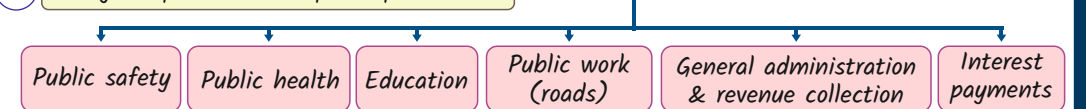
AUDIT METHODOLOGY



REPORTING BY CAG**ACTION ON AUDIT REPORT****POWERS OF C&AG****AUDIT OF LOCAL BODIES**

4

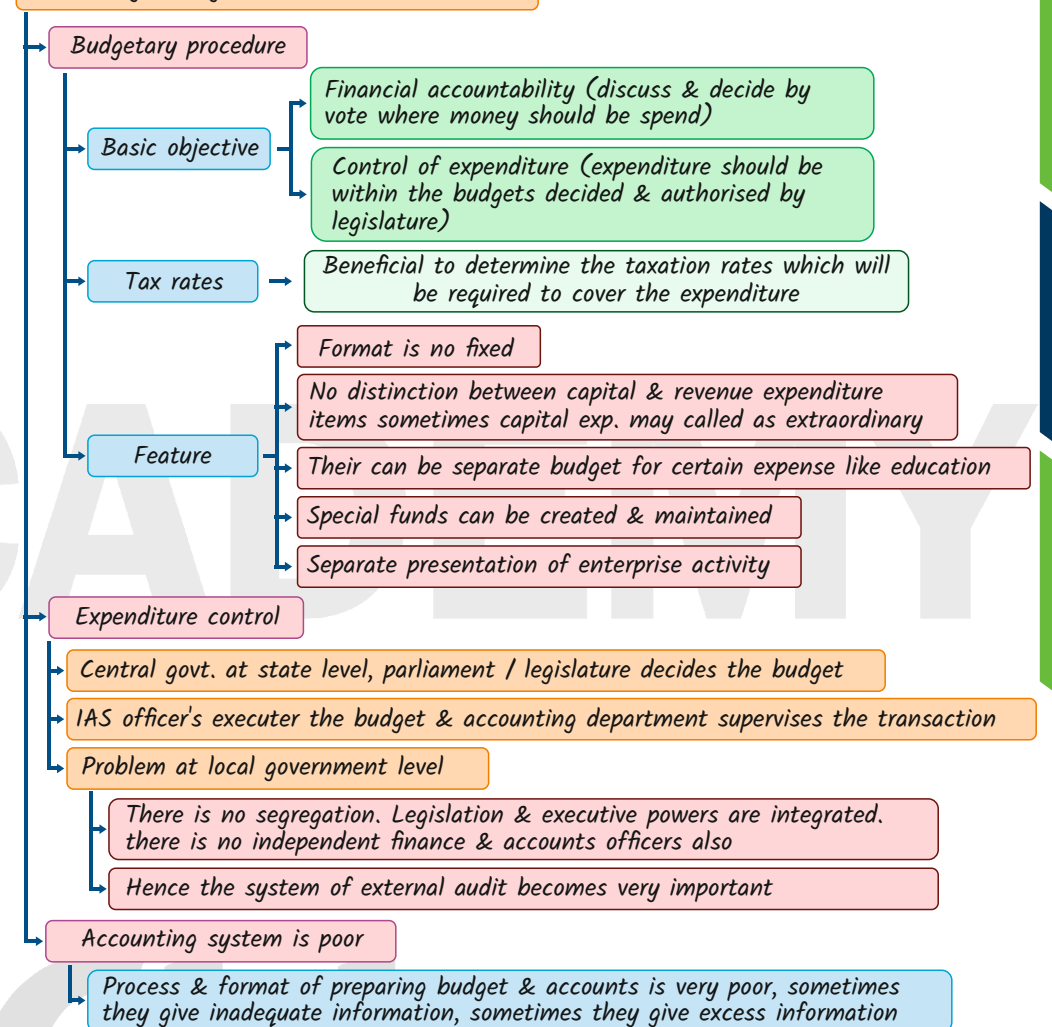
Major expenditure (as per importance)



5

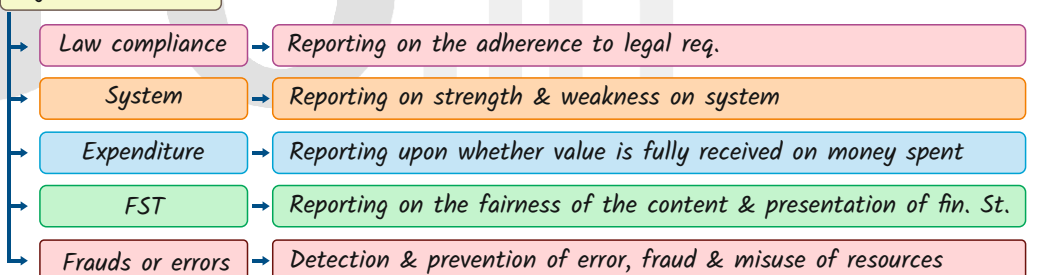
Financial administration

How they manage their financial transaction



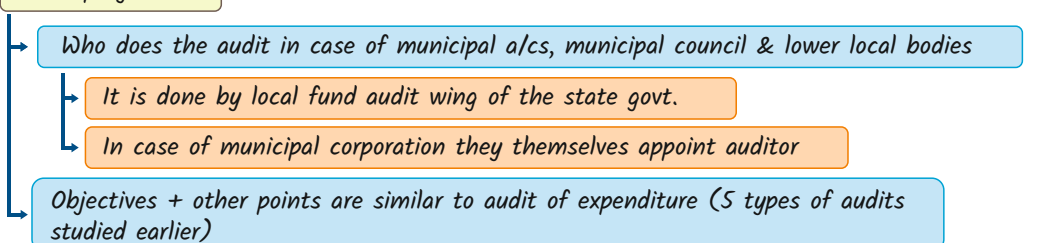
6

Objectives of audit



7

Audit programme



01. NATURE, OBJECTIVE AND SCOPE OF AUDIT

PART 4

UNIQUE QUESTION

QNO-200.07 Applicable financial reporting framework

QNO-200.17 Professional Judgement

UNIQUE QUESTION

MCQ No. Incs.18.1, Incs.18.5

PART 6

UNIQUE QUESTION

QNO-220.09 Relying on Work Performed by Others/ Death of original EP/ signed by other partner.

UNIQUE MCQS

MCQ No. 220.1

MCQ No. 220.8

PART 7

UNIQUE QUESTIONS

QNO-COA.29 "Provisions giving concrete shape to Auditor's Independence"

QNO-COA.31 Importance of Independent Audit

QNO-COA.39 Others- Self Revealing Error

UNIQUE MCQS

MCQ No. CIA.4, CIA.9, CIA.10

02. AUDIT STRATEGY, AUDIT PLANNING AND AUDIT PROGRAMME

PART 1

UNIQUE QUESTIONS

QNO-300.01 Overall Audit Plan (Factors for Development)

PART 2

UNIQUE QUESTIONS

QNO-320.02 Materiality Discussion, Multiple Points

UNIQUE QUESTIONS

MCQ No. 320.4

03. AUDIT DOCUMENTATION AND AUDIT EVIDENCE

PART 1

UNIQUE Question

SA230.30 Documenting every matter considered & separate documentation showing compliance of SA not required.

UNIQUE MCQS

MCQ No. 230.10

MCQ No. 230.15

MCQ No. Incs.39.3

MCQ No. Incs.39.5

PART 2

UNIQUE QUESTION

QNO-330.11 TOC & Preliminary Risk Assessment of Controls

UNIQUE MCQS

MCQ No. Incs.10.3, 10.5, Incs.15.4

PART 3

UNIQUE MCQS

MCQ No. 500.2, 500.5, Incs.44.3, 500.10, 500.12

PART 5

UNIQUE QUESTION

QNO-505.04 Overview of external confirmation-Types /Non Response/Exception

UNIQUE MCQS

MCQ No. 505.1, 505.2, 505.4, 505.5, Incs.24.4

PART 9

UNIQUE QUESTIONS

QNO-570.05 Material Uncertainty Exists & no mitigating factors

QNO-570.18 Management's Ability to make judgement about going concern

UNIQUE MCQS

MCQ No. 570.1

04. RISK ASSESSMENT AND INTERNAL CONTROL

PART 1

UNIQUE MCQS

MCQ No. 315.8, 315.12, Incs.27.4

PART 2

UNIQUE QUESTION

QNO-ICS.39 Weakness in ICS (Case Study)

QNO-ICS.43 Control risk assessment when control deficiencies are identified
(Covered in SA 315 CNO—SA315-PI.022)

UNIQUE MCQS

MCQ No. ICS.2

PART 3

UNIQUE MCQS

MCQ No. Incs.08.3, 08.4, 08.5

05. FRAUD AND RESPONSIBILITIES OF THE AUDITOR IN THIS REGARD

PART 1

UNIQUE QUESTION

QNO-240.19 Auditor Responsibility- Misstatements Management Fraud

QNO-240.31 Fraud Case (Provision without Documentary or Other Evidence)

UNIQUE MCQS

MCQ No. 240.1, 240.2, 240.8, Incs.07.5

06. AUDIT IN AN AUTOMATED ENVIRONMENT

UNIQUE QUESTIONS

QNO- AAE.07 Important IT related terms in brief

QNO- AAE.50 Framework for Testing Internal financial control over financial reporting(IFCR)

QNO- AAE.60 Definition of multiple terms

QNO- AAE.65 Definition of Multiple Terms (Second)

QNO- AAE.70 Definition of Multiple Terms (Third)

UNIQUE MCQS

MCQ No. AAE.1, AAE.4, AAE.6, AAE.18, Incs.01.4, Incs.30.4

07.SA 530 -- AUDIT SAMPLING

UNIQUE QUESTIONS

QNO-530.10 Why auditors use sampling ?

QNO-530.16 Multiple Definitions

QNO-530.23 Sampling- Traditional Approach Extensive Checking – All Entities

QNO-530.24 Precautions of Test Check

08. SA 520 – ANALYTICAL PROCEDURES

UNIQUE QUESTIONS

QNO-520.03.20 Financial Statement Based -- Common Used Ratios

QNO-520.04.50 Matters to be consider to decide combination of analytical procedures and test of details

QNO-520.11 Analytical Procedure-Inventories

QNO-520.13 Analytical Procedure- Trade Receivable

QNO-520.21 Analytical Procedures for Rental Payments

UNIQUE MCQS

MCQ No. 520.2, 520.3

09. AUDIT OF ELEMENTS OF FINANCIAL STATEMENTS

PART 1

UNIQUE QUESTIONS

QNO- AIFS.19 B/S(Reserve vs Provision & Capital vs Revenue Reserve)

QNO- AIFS.41 Disclosure requirements of IND AS compliant Schedule III-"Other Equity."

QNO- AIFS.27 B/S (Criteria for Classification as Current Liability)

PART 2

UNIQUE QUESTIONS

QNO- AIFS.37 B/S (Trade Receivables, Compliance Procedures (TOC) of Sales)

QNO- AIFS.30.80 Identify Assertions Verified by Audit Procedures

PART 3

UNIQUE QUESTIONS

QNO- AIFS.62 Evidence is the very basis for formulation of opinion - Example of evidence in respect of Sales

QNO- AIFS.75 P&L (Revenue Nature Expenses Which Can be Capitalised)

UNIQUE MCQ

MCQ No. AIFS.8, AIFS.9, Incs.11.4, Incs.15.5, Incs.17.1, Incs.17.2, Incs.17.3, Incs.17.5, Incs.63.3

PART 4

UNIQUE QNO

QNO- AIFS.01	B/S (Capital Subsidy)
QNO- AIFS.03	B/S (Share Capital Application & Allotment)
QNO- AIFS.51	P&L (Advertisement Expense)
QNO- AIFS.57	P&L (Provision of Tax)
QNO- AIFS.59	P&L (Provision of Tax)
QNO- AIFS.61	P&L (Foreign Travel Expenses)
QNO- AIFS.63	P&L (Goods Sent On Consignment)
QNO- AIFS.65	P&L (Sales on Approval)
QNO- AIFS.67	P&L (Scrap Sale)
QNO- AIFS.76	Multiple items (From Old Course Vouching & Verification)
QNO- AIFS.77	Multiple items (From Old Course Vouching & Verification)

10. THE COMPANY AUDIT

PART 1

UNIQUE QUESTIONS

QNO- CoAud.01	Sec-139 Relevance of MOA / AOA in appointment of Auditor
QNO-CoAud.62	Appointment other than auditor
QNO-CoAud.77	Sec-143 -Failure of Auditor to send AR to Members

UNIQUE MCQS

MCQ No.	CA1.32
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PART 3

UNIQUE QUESTIONS

CNO- Co. Acc.42	Audit Committee (Role/Function)
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UNIQUE MCQ

MCQ No.	CA2.1
MCQ No.	CA2.2
MCQ No.	CA2.3
MCQ No.	CA2.4
MCQ No.	CA2.7
MCQ No.	Incs.17.4

PART 5

UNIQUE QUESTIONS

CNO-299.07	Responsibilities of Joint Auditor- Concealment- Professional Negligence
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11. SA 700 – AUDIT REPORT

PART 1

UNIQUE QUESTION

QNO-700.05	True & Fair view
QNO-700.14	SA 700 aims to make audit report consistent & comparable

PART 3

UNIQUE QUESTION

CNO-SA705.18	Adverse vs qualified opinion
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12. AUDIT OF BANKS

UNIQUE QUESTION

QNO-BA.02.50	Funded Loans & Its types
QNO-BA.04	Effective risk management system
QNO-BA.09	Difference in provisioning of NPA- Secured/Unsecured
QNO-BA.17.20	Drawing power calculation
QNO-BA.17.50	Audit of income (RBI) directions, Materiality, Revenue Certainty)
QNO-BA.24	Additional Reports apart from report on financial statements
QNO-BA.30	Risk on Money Laundering

UNIQUE MCQS

MCQ No.	BA.1, BA.4, BA.5, BA.11, BA.15
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13. AUDIT OF DIFFERENT TYPES OF ENTITIES

PART 1

Unique Question

QNO-AOC.15	Inspection under Sec 79
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PART 2

UNIQUE QUESTION

QNO-GA.00	Government Audit & its objectives
QNO-GA.00.50	Government audit is not investigative activity
QNO-GA.41	Reporting Procedures of CAG

PART 3

UNIQUE QUESTIONS

QNO- ADE.75	Audit of an NGO (Receipts & Remittances to Others)
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Benefited 20000+ Students

Thank you, Sir. For covering such a vast topic in a short duration. Now I am a Chartered Accountant. 😊

R Sir, You are the best audit faculty i have came across. Explaining concepts so deeply and logically and making points in a way that is very easy to remember.

Comments on 'CA Final Audit Full FADU Chart Revision (1st Edition) in 10 Hrs (S...'

Never thought audit will be so easy to learn and understand, all thanks to you Sir 🙏❤️

Sir your FADU chart is really a FADU one Thank you so much sir And giving time stamps too good effort

AUDIT!! AUDIT!! AUDIT I DON'T LIKE IT , I AVOID BUT FADU LIKES ME I CAN'T AVOID 🤔🤔

REPLY 0 replies 4

A very good morning sir I scored 50 in audit all thanks to you Thankyou so much for your guidance Your fadu chart book is amazing. You are the only teacher who gave us even that 1.5 day plan. Thankyou so much sir It was a great experience with you 😊

11:16 am

Good Morning Ravi Sir.. I am Tanush(You don't know me) I passed in May 2021 attempt. Audit was like a nightmare for me and i never took any audit classes from anyone. I visited a local store and asked for a book for audit. He showed me 2-3 books but the way of presentation of Q&A in PARAM grab my attention and frankly speaking at that time i was not aware who Ravi Taori is but i bought it and cleared the examination. After that i recommend it to my colleague and junior as well and believe me PARAM is doing miracles.. Thanks 😊

10:12 am

Thank you sir. It's great effort you are doing for students. Your revision video is really helpful and charts working like sanjeevani booti. Eagerly awaiting for next part.

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S Sir,I just took this video and bought ur FADU books,watched some other videos also,aj Audit ka exam tha,pata nahi marks kitna ayega ,but itna accha theory paper mera kabhi nahi gaya ... Jitna bhi thank u bolu ,kam hai....thank u sooo much 🙏🙏

You nailed tax Audit sir, in one hour you explained provisions too. (which other faculties are avoiding) . And standards too instead of Summarising you gave good explanations too and your examples at drop of hat clearly shows your experience in handling the subject.

Good evening sir This side harvinder from Chandigarh Sir I am attending your super 25 batch for may 2022 final audit... Sir i want to say that your teaching style is awesome ..😊😊😊 You teaching style just made the learning so easy... Thank you sir

6:16 pm

Hello sir. Got 52 marks in audit. I dreaded audit the most and barely managed to pass in audit in last 2 attempts. But then I took your super 25 batch and it was definitely a game changer. Your revision video along with the chart book helped me immensely during the last day. Can't thank you enough. Indeed we are nothing without our teachers. Thanks a lot sir 🙏

2:00 pm

Thank you so much for providing free lectures on Youtube. It really helps students who self-study. Amazing charts, best mnemonics, and amazing revision flow. Students couldn't ask for more. Thank you, Ravi Sir. - On behalf of all Kannadigas from Karnataka :)

24 1 REPLY

Sir, i just ordered your Bhaskar book, param question bank and FADU charts and nothing else. 53 marks in audit is because of you and your wonderful material sir. Thank you so much ❤️

10:01 am

I cleared my ca final because of this super Simplified book which helped to retain the content in good sequence and flow thank you so much for the efforts and support sir....

Thank you so much ❤️

Now I'm suggesting it to my friends and small request is to provide revision lectures in English i would be great help to South Indian students also. 🙏

11:58

Thank you so much sir.. Your teaching style is awesome.. The way you teach Standards on Auditing and the technique of memorizing things by understanding the flow is so effective.. Thank you so much Sir.. You helped me clear first group

Double tap to ❤️

Super 50 batch student here

25 to 52 in audit ❤️😊 All thanks to you! Although not able to make it for exemption

Only one thing I want to say for you Your teaching style plus FADU chart book=GOD level thing ❤️❤️😊

11:55 am

Thank you so much sir finally I got cleared in CA finals now I am CA Prince Garg bcoz of your guidance and support in regular intervals throughout my journey from ipcc to final. I never failed in Audit subject bcoz of you but due to other subjects I am facing difficulty in clearing group. Thanks a lot to you sir and your AG team

10:15 am

And many more...

About CA Ravi Taori



Why Ravi Taori for Audit ?

Well researched audit notes and detailed coverage of ICAI Material

Detailed explanation of each and every topic of Audit better understanding

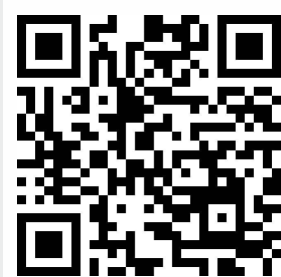
Devised easy to use popular memory techniques for Audit

High Quality Video Lectures

Easy & one-Point doubt solving platform for all (Auditguru.in/Discussion Point)

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