SA 701

{ listed + 961 }

Important matters in स्पष्ट-2 → Auditors ke responses (AP) applied

Page No.
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Communicating Key Audit Matters (KAM) in The Independent Auditor's Report

Introduction :-

- Auditor's responsiblity to communicate KAM in his report.
- It is intended to address both.
  - Auditors judgment as what to communicate in his report
  - form & content of such communication.

Meaning of KAM :-

- KAM are those matters that, in the auditor's Professional judgement were of most significance in the audit of FS of the current Period.
- KAM are selected from matters communicated with TCWG (SA 260).

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Purpose of Communicating KAM :-

① Communicating KAM enhances the communicative value of auditor's report by providing greater transparency about the audit that was performed.

② Communicating KAM Provides additional info" to the intended users, this will assist them in understanding those matters which were of most significance during the audit of FS.

③ Communicating KAM can also assist intended users in understanding the entity & the areas involving significant mgmt judgement in the FS. (eg:- Pending Litigation) (Valuing estimates)

RTP May 25

SQ

पता लगाते हो — कि ये KAM न आएं

Companies Sec 143

Determining KAM

कि Kya-2 matters KAM मे आएंगे ?

NOV 20

① The auditor shall determine, from the matters communicated with TCWG, those matters that required significant auditor attention in performing audit.

② While determining which matters to be included under KAM, auditor shall consider the following aspects :-

RMM (a) Areas of higher assessed RMM, or areas where significant risk is involved or identified as per SA 315.

significant auditor's judgement + significant mgmt judgement + accounting estimates + uncertainty

(b) Significant auditor's judgement relating to areas in the FS that involved significant mgmt. judgement, including accounting estimation that have been identified as having high estimation uncertainty. SA 540

significant events or tx" 31 march 2024

(c) The effect on the audit of significant events or tx's that occured during the period.

(Note) : Subsequent events ie events after B/s date, if they are material then they should be included in the auditor's report under EOM paragraph.

Objectives of auditor regarding KAM :-

KAM.

KAM are those matters that, in our professional judgement, were of most significance ... were addressed in the context of our audit of FS as a whole, and in fo... on these matters. We have determined the matters described below to b...

Communicating KAM | Drafting of KAM paragraph :-

RTP May

Separate section

The auditor shall describe each KAM, using an appropriate subheading, in a separate section of the auditor's report under the heading "KAM".

The introductory language under KAM paragraph shall include following :-

(a) Definitation of KAM

(b) A statement that these matters were addressed in the context of audit of FS as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

Communicating KAM — not a [redacted] :- MCQs

(1) Substitute for disclosures in FS that the AFRF requires mgmt to make, or that are otherwise necessary to achieve fair presentation.

(2) Substitute for the auditor expressing a modified opinion when required by circumstances of a specific audit engagement in accordance with (SA 705).

(3) Substitute for reporting in accordance with (SA 570) when a material uncertainity exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. (सिर्फ और material uncertainty है तो → Going concern के heading में आएगा।

(4) a separate opinion on individual matters

significance in our audit of FS of the current Period. These matters and in forming our opinion thereon, & we donot provide a separate opinion below to be the KAM to be communicated in our audit.

Communication with TCWG :-

Communicate — matters determined to be KAM (or) No KAM

Applicability of SA701 :-

① It is intended to address both the auditor's judgement as to what to communicate in the auditors report and the form & content of such communication. (covered in intro para)

② This SA applies to audits of complete sets of general Purpose FS of :

- Listed Entities (f)
- Circumstances when the auditor otherwise decides to communicate KAM in the auditors report (f)
- required by L or R to communicate KAM in the auditor's report.

③ * However, SA 705 prohibits the auditor from communication KAM when the auditor disclaims an opinion on the FS, unless such reporting is required by L or R.