

(Audit)

Assurance Engg. means engg.  (opinion)
 practitioner expresses conclusion
 about evaluation of Subject matter against Criteria
 f.s. AFRF.

- to enhance confidence of intended users.
Shareholders

Standards on Assurance Engg.

→ [Audit / Review]
Subject matters other than historical financial info.

Prospective financial info.
 SAE 3400

Ic. or S.O.
 SAE 3402

Pro-forma financial info
 SAE 3420.

SAE 3400: Examination of Prospective Financial Info. (PFI).

PFI? Financial info. based on:

Assumptions about future events ≡ possible actions by entity.

PFI

Forecast
 Expected assumptions of
 future events & ngt. actions

Projection

by hypothetical Assumptions of
 future events & ngt. actions
 not necessarily expected.
 Both
 2 years forecast +
 3 years projection

Best Estimate Assumptions
 Based on experience

e.g. Startups ⇒ projecting revenue

e.g. Expected ↑ sales 5%
 in next Qtr.

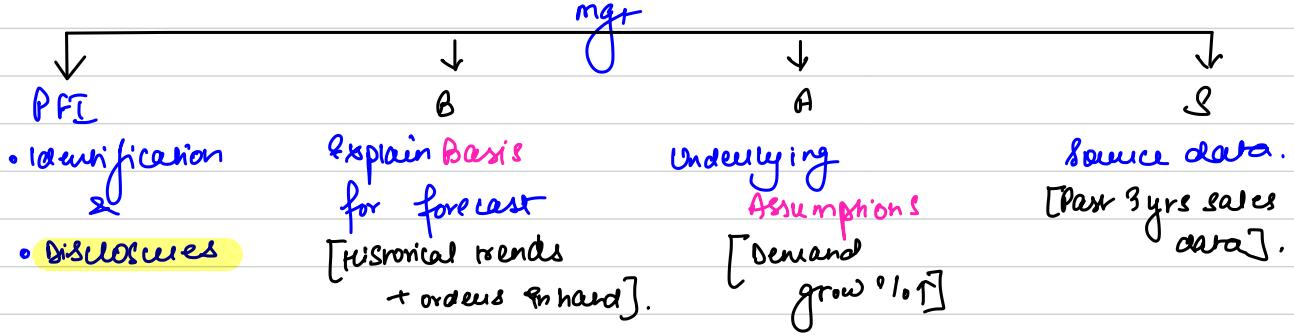
• Launch of new product ⇒ growth 10%
 • New plant ⇒ 7 years projected cash flows.

Clause [3] → Report on
E&E.

Part I Est. of Earnings → contingent → future trans'
 Second Sched.

unless Basis
 Assumption +
 Source info. →
 Accrue of . . .

Responsibility for preparation & presentation of PFI



Duty of member examining PFI

- (Assumptions) mgr's B.E. assumptions are not unreasonable &
- hypothetical assumptions consistent with purpose of info.

Obtain 'SAE' whether.

Historical
data

(Banado.) PFI properly prepared → on basis of assumptions

on consistent basis with historical PFI
using appl. accts principles.
[Projected P&L → Dep $\begin{cases} \text{Ces. Accts} \\ \text{Incom} \times \text{Tax Accts} \end{cases}$]

(Baraldo) PFI properly presented & material assumptions disclosed. (Indicating B.E./Hypo. assumptions).

Opinion [PFI Results → achieve?] No, % events/actions have not occurred.

→ Evidence to support assumptions is future oriented & speculative.
[No skrta hai].

Precautions before Accepting such Engg. [SM]

↓
consider?

- Intended use of info. → 2. Info. for general / limited distribution
- Period covered. [Next 5/10 yrs].
- Elements to be included in inf. [BAS]
- Name of Assumptions [SAE/Hypo.].



laminated

NTE of Evaluation Procedures

↓

Matters?

↓
mgt.

Business.

Engg. Team

1. Knowledge obtained in previous engg.
2. E.T. experience with business & industry & reporting of PFI.

Testing ↓

3. Competence in preparing PFI.

↓ Testing

4. Extent to which PFI is affected by mgt's judgment.

Testing ↑

5. Scrutiny of entity's business.