SA 805: Spl. Considerations: Audit of Single F.S. (SFS) & Specific Elements, A/cs or Items of FS (SEFS)

F.S.
- Complete set of F.S. (CSFS) — P&L + B.S + Cash flow + Notes
- Single F.S. (SFS) — eg Cash flow St. + Notes

⇒ F.S. may be prepared as per G.P.F or S.P.F (SA 800 also apply).

Examples of S.E. F.S.

Schedule of

① A/c Receivable, Provision for doubtful debts, Intangible assets etc.

② Net Tangible Assets

③ Disbursement of lease

④ Externally managed assets. eg Pvt Pension Plans.

⑤ Profit Participation or Employee Bonus.

Q Can auditor audit SFS / SEFS without auditing C.S.F.S?

Entity —C.S.F.S audit→ A (Other)

Entity —SFS/SEFS Audit→ B [Accept? No]

⇒ Compliance with SAs may not be practicable if auditor not engaged to audit C.S.F.S.
(why?)

Auditor does not have

- Same understanding of Entity, Environment & I.C. ↓ as auditor of C.S.F.S.
- A.E. about Quality of A/c Records (Test of General IT Controls) ↓
- So, may need further evidence to corroborate (support) A.E. required.

Benefit -
Fees - < work

- For audit of SEFS, certain SAs require disproportionate audit work.

eg For audit of Debtors, complying with SA 570 may not be practicable.

=> Audit => "Drs" - E- R- C- V- + "G.C Assess" => Appt => Causes Recovery? No => "Drs valuation"

Conclusion: If audit as per SAs not practicable,

discuss with mgt, if another type of engg. will be more practical.

"Certification" → SRS 4400

Rough

C.S.F.S. Audit Pro. → RAP (Understand ↓ Romm) ; FAP → TOCs (process) ; Subs. A/Pro (○ TODs ○ An. Pro.) Too much!!

But "SFS" | SEFS [Debtor]

SA 805

Acceptance | Planning & Performing Audit | Reporting

(I) Acceptability of FRF

- For audit of SFS | SEFS → consider if FRF will result in adequate disclosures for users to understand
  - SFS | SEFS &
  - Effect of material events | trans^n on SFS | SEFS.

eg Audit of Debtors (SEFS) ₹2,00,000

Notes to A/cs

Drs	2,50,000
(-) Provision*	(50,000)
	2,00,000

*Due to insolvency of Drs.

II. Planning & Performing Audit

- Adapt all SAs* relevant to audit as per circumstances.

* Even for audit of SEFS, SA 240, 550 & 570 are relevant.

∵ Element could be misstated due to fraud, RPTs or incorrect application of G.C. Basis of accounting.

Spl. Cases

SA 260
Requires auditor to identify appt. persons within governance structure to communicate

⇓

Those resp. for oversight of F.R.P of C.S.FS maybe different from SFS/ SEFS.

Audit Evidence
- When auditing Both CSFS & SFS/SEFS

⇓

May use A.E. obtained in audit of CSFS for SFS / SEFS.

- Obtain SAAE to base opinion on SFS / SEFS.

Inter-Relation
- C.S.F.S & their elements are inter related.

↓

- In audit of SFS/SEFS don't consider them in isolation

- May need to test interrelated items.

Dr. → Revenue

Materiality
for audit of SFS / SEFS may be lower than for CSFS.

↓

Affecting

NTE of A.Pro.
- Materiality ↓
- Testing ↑

\+ Evaluation of uncorrected Misst.

SA 450

III. Opinion & Reporting

⇒ Evaluate if FS (SFS | SEFS) provide adequate disclosures ↓ to understand effect of material events | transⁿ on FS.

Spl. points:

1. Separate opinion on audit of
   - CSFS
   - &
   - SFS | SEFS

2. If SFS | SEFS & C.S.FS. published together
   ↓
   Presentation should be differentiated
   - If not, ask mgt to rectify.
   - Not issue AIR unless satisfied with presentation.
   ↓
   Also give differentiated opinion on CSFS & SFS/SEFS.

****** Imp

3. Modified opinion / EOM / OM Para / MURC Section / Uncorrected MM of other info. (Annual Report) in AIR of C.S.FS.
   ↓
   Relevant for AIR on SFS/SEFS?

"Factors" (P.J.)

Matter

① Nature of matter & extent to which it relates to SFS | SEFS

C.S.F.S. Drs. (M.M.)
- SFS (B.S) ✓
- SEFS (Drs) ✓

② Pervasiveness of matter.

C.S.F.S → Disclaimer (mgt Fraud)

③ Nature & extent of difference b/w AFRFS

C.S.FS → A/c stds. MMV
↓
RIR (AS 9)
Accrue ✗

SEFS (Revenue) → Contract (SPF)
↓
Cash Basis m.m.✗

Period | Time

④ Difference b/w Period covered by C.SFS & SFS | SEFS:

M.N.C
- C.S.F.S → FY. 1.1.24 – 31.12.24 (MM Revenue Jan-Mar '24)
- SEFS (Revenue) → FY 1.4.24 – 31.3.25 All ok

⑤ Time elapsed since date of AIR on C.S.FS.

AIR
- C.S.FS. 1.6.24 Yadbaal
- SFS 20.6.24 Resolved

M.M. in other info. → Rectified on. 5.6.24 ↓ ✗ Relevant AIR SFS.

Examples:

	C.S.FS		Relevant?	
①	Qualification in Debtors	→	SFS (BS) or SEFS (Debtors)	Yes
②	Qualification in Classification of L.T. Borrowings	→	SFS (P&L) or SEFS (Debtors)	No

Addⁿ Notes:

① AIR on CSFS — NURC section — implication Refer ✓ → AIR on SFS/SEFS — OM para

② AIR on CSFS ⟶ Adverse / Disclaimer of opinion (NM → Pervasive FS)

↓

SA 705 doesn't permit unmodified opinion in AIR of SFS / SEFS*

* Unmodified opinion allowed for SEFS only if:

It is NOT

eg "Pension Fund Investments" Isolated [B.S. Items, P&L, Govt Revenue]

- Not Prohibited by L/R
- opinion in AIR of CSFS & SEFS is not published together
- Specific Element is not major portion of C.S.F.S.

③ Ajibsa — AIR on C.S.FS.

- Disclaimer of opinion (Results of operations + Cash flows) (P&L, Cash flow st.)
- Unmodified opinion (B.S.) → Allowed? Yes (State of affairs)