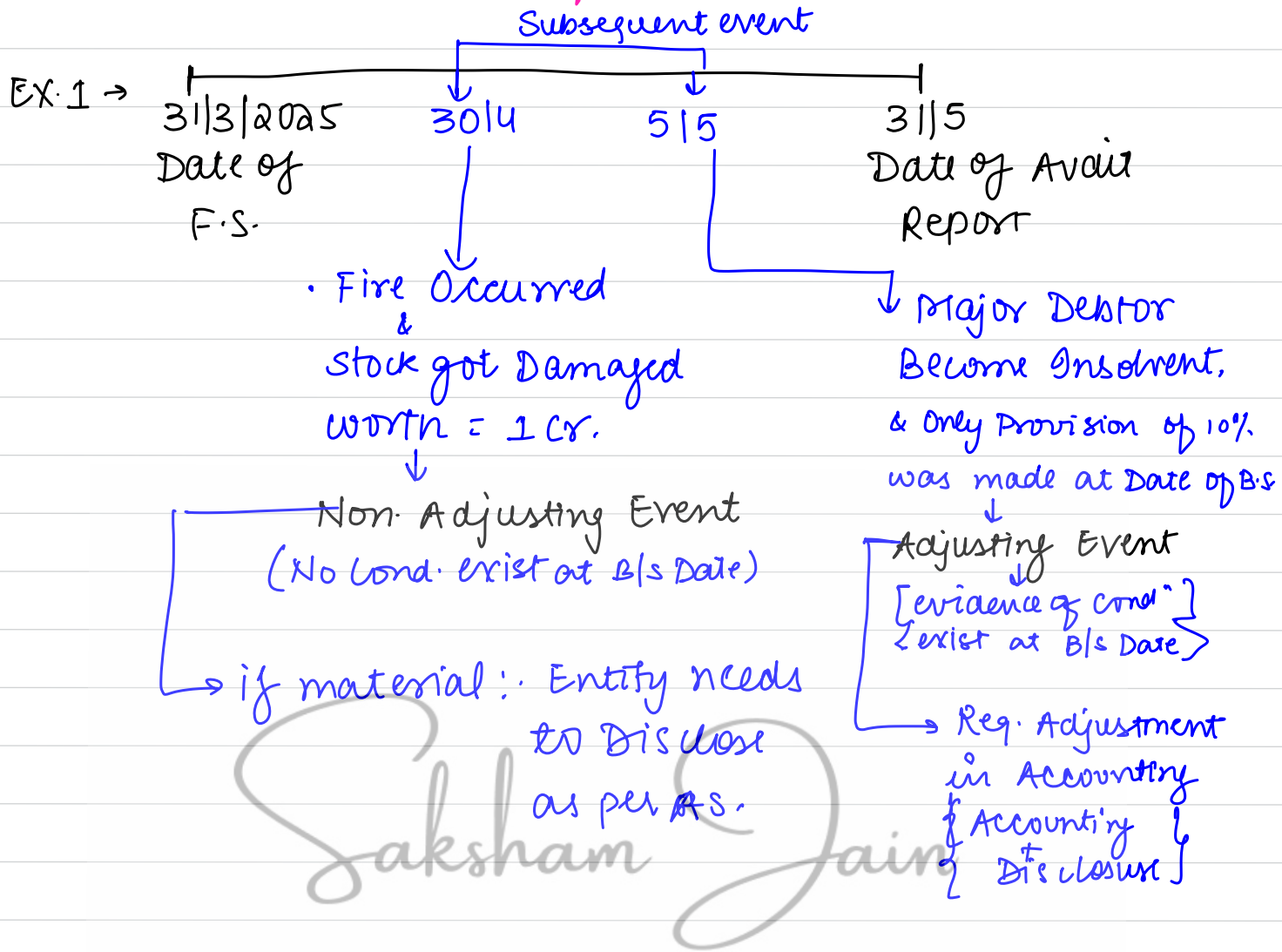


SA 560 Subsequent Event



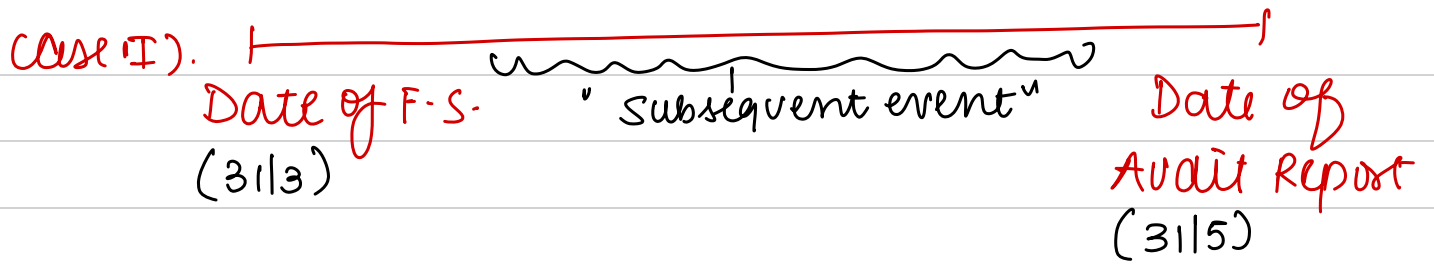
Objective of Auditor

i). To obtain SAAE about events occurred

B/w Date of F.S.

Date of Audit Report

Requiring Adj/Disclosure, have been Done by entity



* Auditor has to obtain SAE, about events that req. Adjustment/Disclosure, have been appropriately done by entity.

* Auditor Responsibility

- i). Evaluate ^(Understands) mgmt procedure relating to identification of Subsequent event, that req. adjustment or disclosure.
- ii). Inquire from mgmt whether they have identified any subsequent event, that req. adj or disclosure.
- iii). Read minutes of meeting Held after Date of F.S.
- iv). Read latest Interim financial statement, after Date of F.S., if any.

* Auditor may also ^(Inspect) study accounting records after Date of F.S.

* If event has been identified, auditor to ascertain whether adjustment or disclosure has been done appropriately.

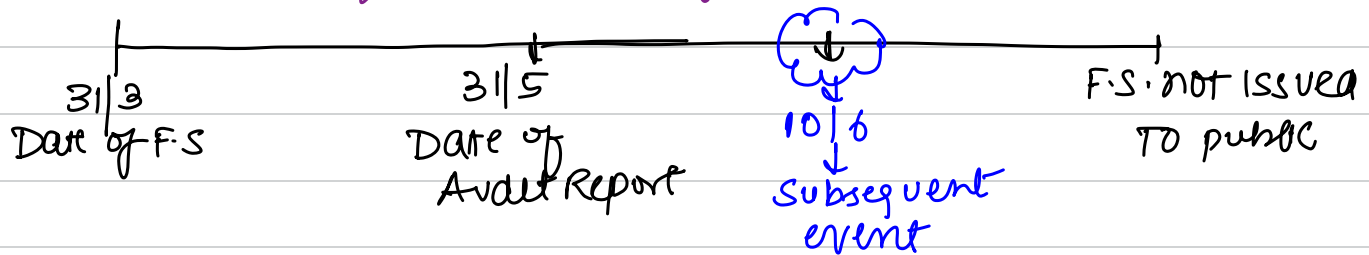
* Obtain W/R from Mgmt relating to Subsequent event.

Case II). Fact Become Known to Auditor After Audit Report Date

a). But Before F.S. Issued to Public

(B) But after F.S. Issued to Public

(A). After Date of A.R. but Before F.S. Issued to Public



- No obligation to perform Audit Procedure after Date of Audit Report.
- However, fact occurred after Date of Audit Report but Before Date of F.S. Issued to public, had it been known to auditor till date of A.R., auditor has a responsibility to

a). Discuss with mgmt



b). Determine whether F.S. needs amendment



c). Inquire, what will be mgmt action relating to amendment of F.S.

↓ (i).

Mgmt willing to Do Amendment



* Auditor to

- Carry Audit Procedure on amendment made.

+

- Extend Audit Procedure to Date of New Audit Report.

(ii) ↓

Unwilling to Do Amendment

* Date of A.R. (New) shall not be earlier than Board approval of F.S.

* Special case of Restricted Amendment allowed by L & R or App FRF

Auditor to carry Audit Procedure on Restricted Amendment in. F.S. Done by Mgmt
Do not Extend Audit Procedure to Date of New Audit Report.

- Auditor has two option to report on special case

(i). Dual Reporting

- Provide New or Amended Audit Report, including additional date i.e additional fact known after Date of Audit Report on which auditor carried audit procedure.

Ex → 31/3

31/5
Date of A.R.

10/6
Fact

OR

ii). Provide a new audit Report with EOM/OM Para, giving details of restricted amendment & Date at which auditor carried audit procedure & no extend of audit procedure.

(*) → Mgmt Unwilling to Do Amendment when auditor thinks it is required

- If Audit Report is with Auditor :- Modify Audit Report as no amendment Done by Mgmt in F.S

- If Audit Report is with Mgmt : Auditor will ask mgmt not to issue A.R. to 3rd party unless amendment is done.

* Mgmt issued Audit Report to 3rd party without amendment
Auditor will take action so that public not rely on His Audit Report.

(B). But after F.S. Issued to Public

- Same Content as of part (a).
- Mgmt willing to amend

Add. point → Review steps of mgmt to inform public about amendment & not to rely on F.S. earlier issued.

- Mgmt not willing to take Necessary Action

(i). Like F.S. req. Amendment

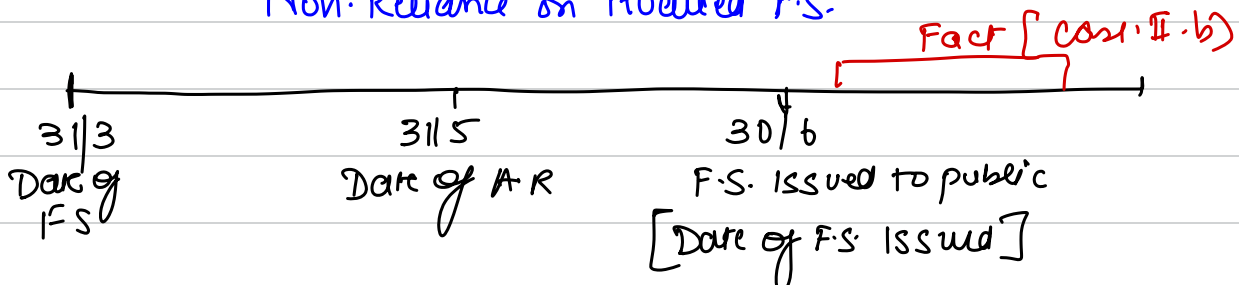
(ii) Informing Public not to rely on Audited F.S.

- Option to modify opinion → No such option as Audited F.S. already issued

- Ask Mgmt, TCWb to take necessary action to put non-rely on Audited F.S.

↓ - If NO action taken

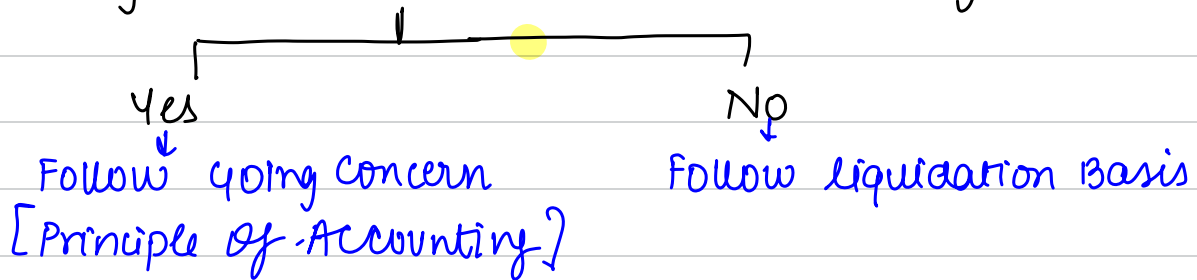
Auditor to take necessary action to put Non-Reliance on Audited F.S.



SA 570 Going Concern

* Overview of Going Concern Accounting

If entity can realise asset to Discharge its liability,



* Responsibility of Going Concern Accounting Assessment

- Mgmt Responsibility to DO Assessment at particular point of time
 - It will involve Judgement about outcome of future events & condition
 - Following factors are considered relevant to Mgmt Judgement
- i). Degree of Uncertainty associated with Outcome of future events or conditions.

ii). Size & Complexity of entity

+

Nature of entity Business

+

External Factors Impact on Bus

} affects Judgement of mgmt relating to G.C. Assessment.

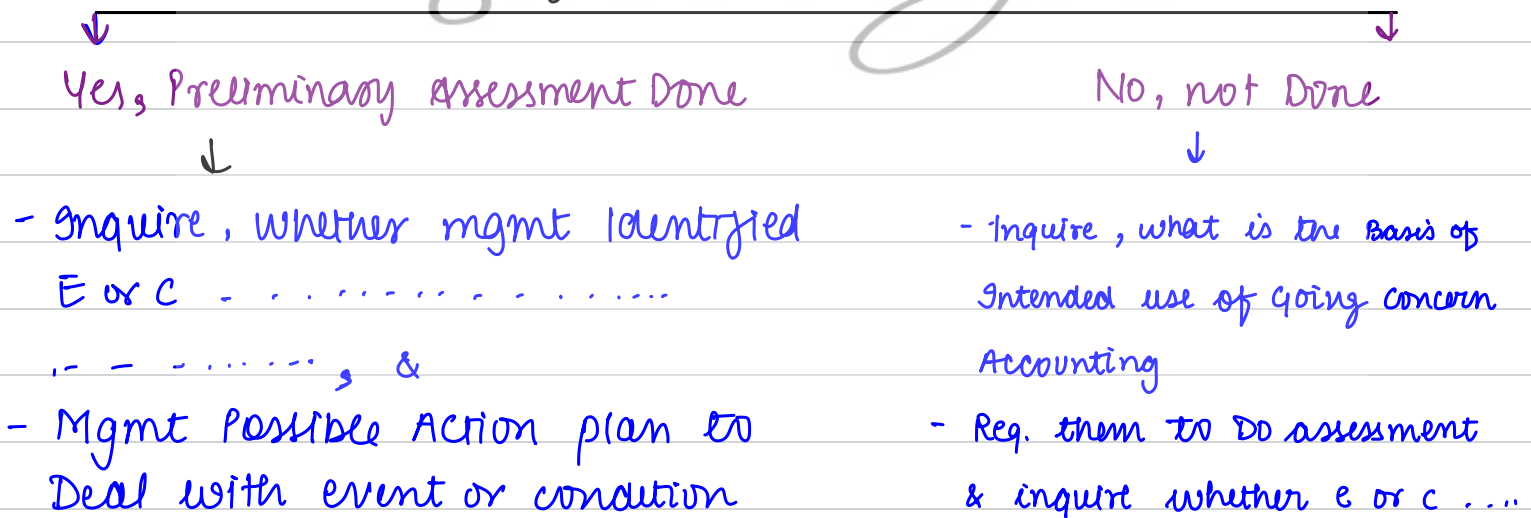
iii). Judgement about Going Concern is Based at particular point of time according to given Info & Circumstances. Subsequent event may be very different resulting in difference from Judgement made earlier.

* Objective of Auditor as per SA 570

- i). To obtain SAAE about appropriate use of Going Concern Basis of Accounting By entity.
- ii). To conclude whether material uncertainty exists relating to event or condition, that can cast significant doubt on entity's ability to continue as a Going Concern.
- iii). To Report as per SA.

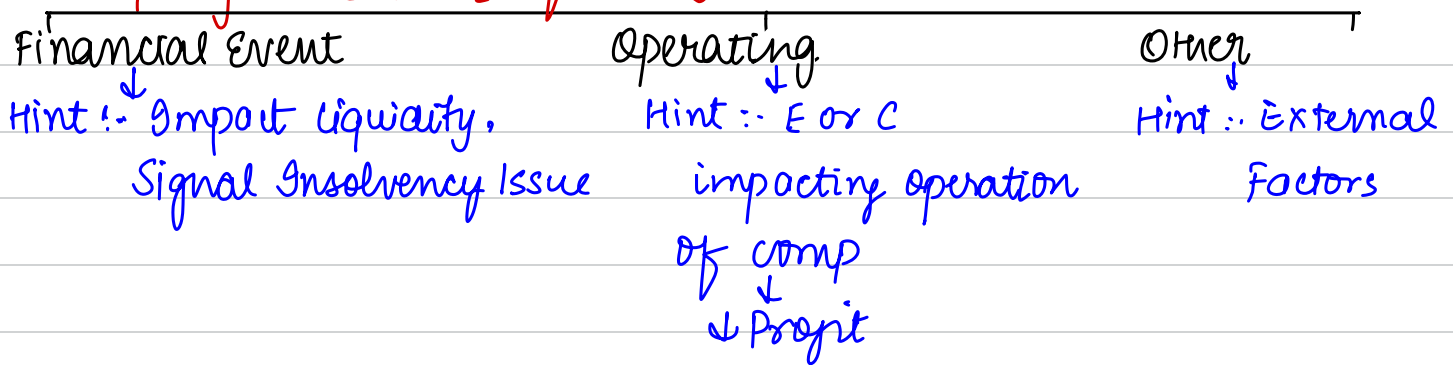
* Auditor Risk Assessment Procedure

Auditor apply RAP to identify whether mgmt has done preliminary assessment about event or condition that can cast significant doubt on entity's ability to continue as going concern



Note: Auditor to maintain Professional Skepticism, throughout audit for e/c

* Examples of event or condition that may cast significant doubt on entity ability to continue as going concern [Refer Book]



Note :- In exam, High chance of 2 marks MCQ where u will ask to find odd one out
or

4 marks question asking example relating to particular type [Ratification]

* Audit Procedure to determine whether material uncertainty exists relating to event or condition that can cast significant doubt on entity ability to continue as going concern { Hint :- 2nd objective }

Event or Condition Identified

↓ Impact

Material & Outcome Uncertain

↳ then we called as

"Material Uncertainty exists"
Mgmt Has to Disclose
Such e or C → Material Uncertainty

Audit Procedure

- i). Ask mgmt to do Going concern Assessment, if yet not done
- ii). Evaluate mgmt plans to deal with event or condition & check their feasibility.
- iii). Review cash flow forecast prepared by mgmt, if any
 - Check reliability of Data used for preparing projection
 - Evaluate Reasonableness of assumption used by mgmt in cash flow projection
- iv). Any other New Info that comes to Mgmt attention during assessment
- v). Obtain WIR from mgmt — about future plans & their feasibility

In exam, u can give reference to extra point like (Refer Notes)

- Review minutes of meeting
- Review Borrowing covenants [T & C]
- Review Mgmt Investment plans.
- Inquire from Legal Counsel team.

* Adequate Disclosure by Mgmt about event or condition ,

When Material Uncertainty Exists

- Disclosure of Principal Event or condition

+

Mgmt Plan to Deal with E or C

No Material Uncertainty Exists

- Disclosure of E or C as req. by app FRF.

- State clearly that asset **may** not be able to realise its asset to Discharge their liability.

* Implication for Auditor Report

SAFOS → Modified Opinion		Misstatement	
SAAE ✓	→	M Qualified	M + P Adverse
SAAE ✓	→	Qualified	Disclaimer

i). Inappropriate Use of Going Concern Accounting

Entity follow liquidation



Unmodified opinion

Entity following Going concern



Modified → SAAE ✓

- Qualified
- Adverse ✓

{ sab GARNBARI HO GYA }

ii). Appropriate Use of Going concern Accounting & Material Uncertainty exists

✓ Adequate Disclosure
Done by Mgmt
↓

Adequate Disclosure
not Done by Mgmt
↓

→ Modified → SAE ✓
↓
Qualified or Adverse

→ Reason: • MU exists But Adequate Disclosure not Done.

* Unmodified opinion

* Auditor adds MURDER PARA in AUDIT REPORT "

Material Uncertainty Related
to going concern
↳ why?

- Draw user attention to Disclosure made by Mgmt abt error -
-, which has material uncertainty + unmodified opinion given by Auditor.

- iii). Mgmt Has not Done Assessment or Extends its Assessment

↓
Modified opinion → SAAE (X) Qualified or Disclaimer

* Evaluating Mgmt Assessment

Case: I → Company has history of High Profitable, Zero Debt Position

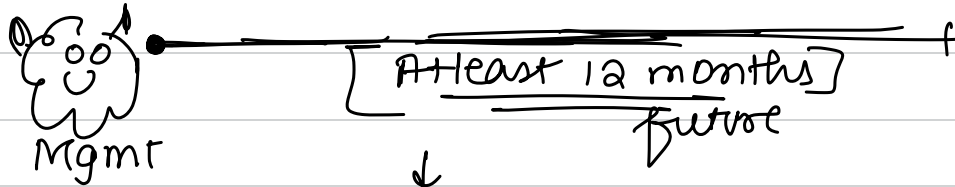
Mgmt Assessment → Not very Detailed

"Auditor will raise no objection provided he obtained SAE"

Case-II). Other Complex Case

- Detailed Mgmt Assessment is req.
- Auditor evaluate Mgmt plans & process of assessment

Mgmt assessment



↓
Auditor to carry evaluation of same or extended period

Suppose, Mgmt assessment period cover only 3 month

↓
Auditor Reg. to extend Assessment to atleast 12 m

↓
Mgmt Refuses → Auditor - Mod. By Q & A

Saksham Jain