

Audit Standards

Complete Marathon

Series Wise

Part I - Covering SA 200 (Series)

Composed of :-

SA 200 ✓

SA 210 ✓

SA 230 ✓

SA 240 ✓

SA 260 ✓

SA 265 ✓

SA 299 ✓

SA 250 ✓

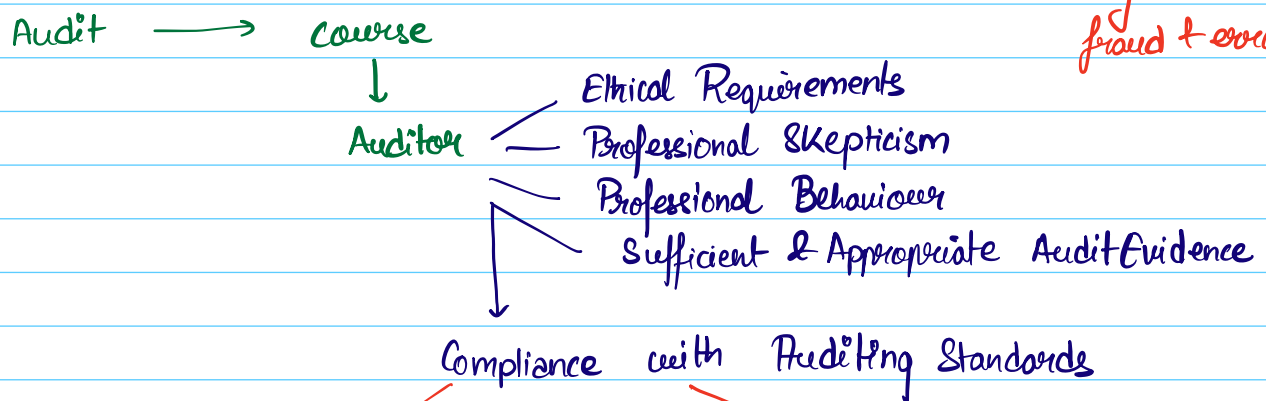
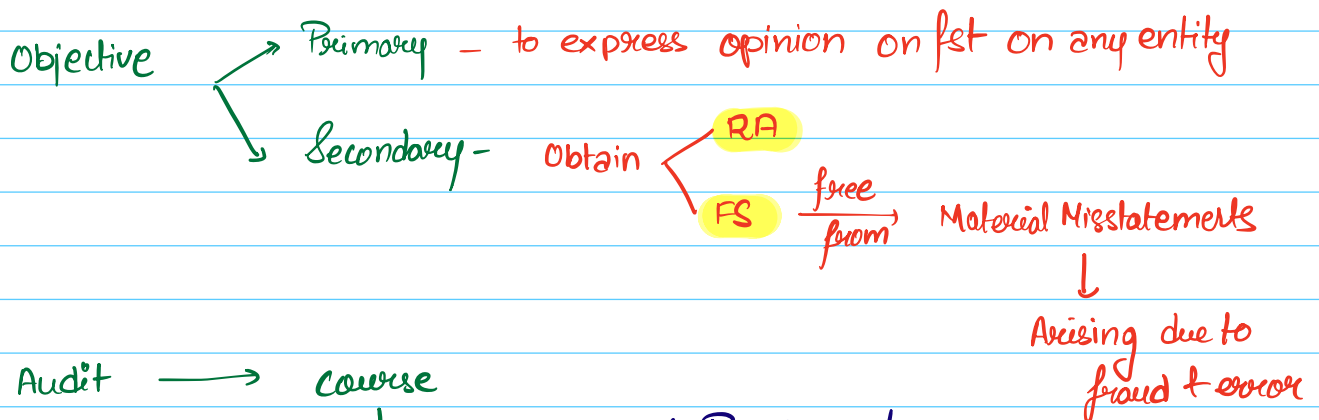
① Top 100 Questions Audit with Solutions

② Standards Marathon

③ Exam day booster CBMA

SA 200 - Overall Objective of Audit

Scope - . Overall objective + Responsibility to be fulfilled by Auditor
. Nature Scope Objective of Audit



Comply with Relevant SA's

If any SA is not relevant

disclose in Audit Report

If Auditor is Not Able to follow a SA

Auditor to decide whether he is required to modify his Opinion

If Auditor departs from Any SA
↓
Reasons for departure Effect

SA 210 - Agreeing the terms of Engagement

Scope of SA - It deals with responsibility of Auditor in the conduct of Audit being agreed with Management prior to engagement.

Objective - Mgt Accepts Responsibilities about Pre Condition
(Imprem)

①

• Mgt is Responsible to prepare FST as per Applicable FRF

②

Access to All Information's + Unrestricted Access

(Auditor Verify whether I & II exist)

Determine the FRF

Check Mgt's understanding FRF

Team Meeting

If there is Limitation on Scope of Audit

- If Limitation Present

Auditor is having doubts over Ability to Obtain Evidence

Reject

Auditor deems limitation Not material

Accept Engagement

- If Limitation Introduced during Audit

Alternative

Procedure

Possible

Obtain Evidence and Evaluate

Not Possible

Disclaimer + withdraw

Engagement Letter

- ① Objective + Scope
- ② Audit Respon
- ③ Mgt Respon
- ④ FRF Identified
- ⑤ Content & Form of Audit Report

Reasons of Limitation

Recurring Audit

Whether Engagement Letter is Required?

Cases in which it can be required

→ change in Ownership / Mgt

→ change in Scope

→ FRF Change

→ Mgt might have misunderstood it earlier

→ Previous Experience of Auditor

SA 230 - Audit Documentation

Scope - Auditor's Responsibility to prepare Audit Documentation

Objective → Sufficient & Appropriate Record of Work done
Evidence that Audit was Performed as per SA's

Role of Audit documentation

(A) Primacy — Evidence of Audit work + Record of Work done

(B) Secondary — Plan & Performance of Audit by Engagement team
Direction / Supervision / Review of Responsibility.
Accountability (Answerability)
Retention for Audit is at future Years

Quality Reviews (SAC 1 / SA 220)
Enable External Investigation.

Time for Preparation & Retention

Within 60 days of Audit Report - Audit documentation should be ready
Retention Period - 7 years

Form / Content / Extent
Audit Document

- Experienced Auditor understand

- NTE of AP
- Results of AP
- Significant Matters in Audit

After Audit Report - Exceptional Event (Note in AD)

- circumstances faced
- New Audit Procedures (if any)



If Audit Evidence

- who made the changes

SA 240 - Auditor's Responsibility in case of fraud in financial statements

Scope - Deals with Auditors Responsibility relating to fraud in an audit of financial statements

- Objectives -
- Identify & Assess ROMM
 - Obtain S&A Evidence related to fraud
 - To respond to fraud identified.

Note: fraud is appropriately hidden, whereas error is evident

↓
intentional

↓
unintentional

Professional
Skepticism

fraud identified by Auditor

↓
how is this done?



Discussion with
Engagement

(determine the
materiality of
the misstatement)

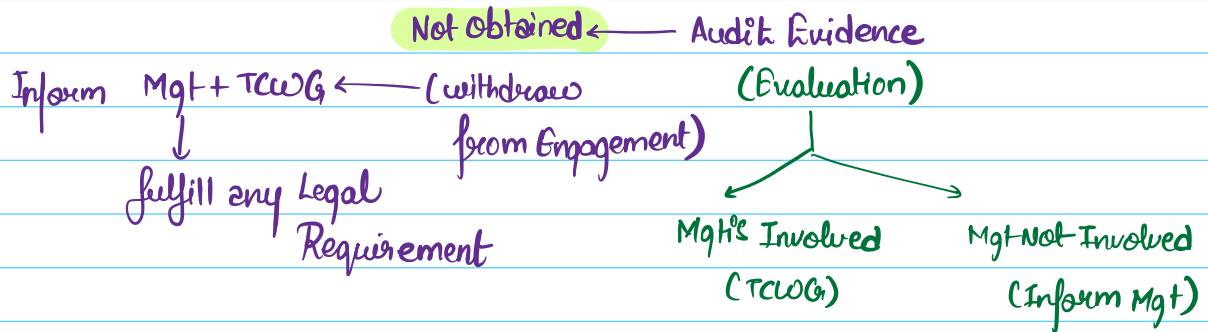
SA 315 Auditor obtains understanding of the Client Business & Environment



Identifies the Risk factors

Risk of Material Misstatement

SA 330 Auditor shall perform Audit Procedure whose NTE are in relation to risk identified.



SA 250 - Consideration of Laws & Regulation in an Audit of Financial Statements

Scope - Auditors Responsibility to check for compliance of laws Regulations

Objective - To obtain Sufficient & Appropriate Audit Evidence regarding compliance of laws & Regulation and report on Non Compliance.

Auditor to obtain Understanding of Laws & Regulations applicable to Entity

Obtain Sufficient & Appropriate Audit Evidence

Perform Audit Procedures

Non Compliance found

Evaluate its Impact on Audit Opinion

Report to TCWG

Mention its impact on Audit

Report to Authority

Report
Material - Misstated
(Adverse)
Material - Misstated
But No
Evidence
(Disclaimer)
if required
eq. 143(12)

SA 260 - Communication with Those Charged With Governance

Scope - It deals with Auditor Responsibility with TCWG

Objective -

- ① Responsibility. Overall Plan, timing of Audit is Communicated
- ② Obtain Information by Inquiry of TCWG
- ③ Indicate any observation over financial Reporting Process.
- ④ To promote effective Communication

Matters to be communicated by Auditor to TCWG

Responsibility of Auditor

Scope / Plan / Time & Risk Identified

are SAD COW

Accounting Practices

Difficulties in Audit

Written Representation

Circumstances affecting the form & Content of Auditor's Report

Other Matters

Note 1

In case of Listed Entities

- firms have Complied with Ethical Requirements
- Safeguards for Audit Independence

Note 2

- The Auditor shall maintain documents of the communication with TCWG
- Also indicate in writing significant findings of Audit
- On timely basis

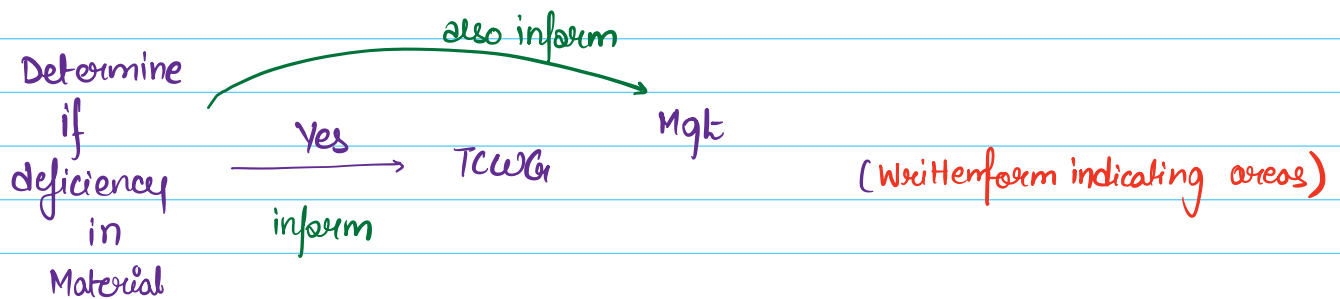
It is a part of Auditor Documentation as stated in SA 23

SA 265 - Communicating Deficiencies in Internal Control to TCWG

Scope - Communicate deficiencies identified in the Internal Control operating over financial statements of entity.

Objective - The Auditor's communication is to direct the Attention of TCWG over IC operating in financial statements.

Significant Deficiency - A single deficiency or combination of deficiencies in the company identified by the Auditor which are material in Auditor's Professional Judgement



SA 299 - Joint Audit of financial Statement

Scope - Working with another Auditor, Principles.

Objective - To lay down Principles, provide uniform approach, define areas & roles, identify roles & responsibilities.

Flow -

Engagement

Partners
Participate
in
Planning

→ Design Overall
Strategy

→ Audit
Plan

→ ROMM
Separate
for
JA

→ Discuss
NTE
with
each
other

- for the work divided responsible on own basis

Individual

Responsibility

Work Allocation

Engagement Letter Common

- work not divided
- Common decisions
- Compliance with SA's
- Presentation & disclosure as per FRF

Jointly & Severally

Reporting

Note: Presumption that each of the Auditor exercised full caution in following SA & FRF.

- Issue Common Audit Report (Agreement)
- Separate Audit Report (Disagreement)

OM Reason for difference

- Before the Final Report "Joint Auditor should discuss matters"

Prior to this OM Para Auditor shall discuss the matter with TCWBr.

SA 300 - Series Part II

SA 300 ✓

SA 315 ✓

SA 320 ✓

SA 330 ✓

SA 300 - Planning an Audit of Financial Statements

Scope - Auditor Responsibility to Plan the Audit of Financial Statements

Objective - so that Audit can be carried out in efficient way.

Engagement team members shall be included in the Planning Process.

① Pre-engagement Activities

- SA 220 Procedure Perform
- Compliance with Ethical Requirement SA 220.
- Agreeing on Engagement terms SA 210.

② Planning Activities

- Establish overall **Audit Strategy**

Scope / Time / direction

identify characteristics of engagement
Ascertain Reporting Objectives
Consider significant directions
Consider results of Pre Engagement Activities.
Resources needed for Engagement

SA 315 - Identifying and Assessing the Risk of Material Misstatement through understanding the Entity & its Environment

315 → 320 → 330
Understand Entity Materiality level AP

Scope - SA'S covers Auditor's responsibility to Identify ROMM

Objective -  To Identify + Assess Risks of MM due to fraud or Error &
✓ Understanding Entity's FRF →
✓ Understanding the Internal Control System 🕒

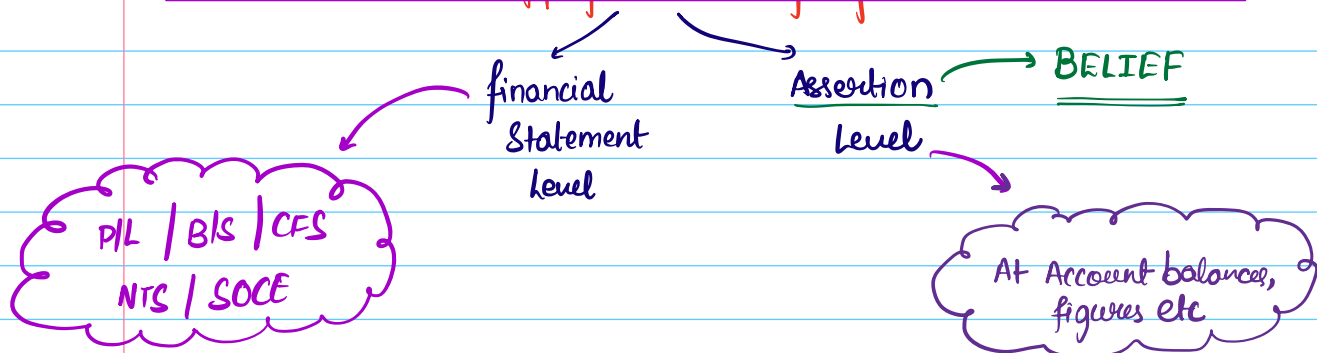
- Relevant Industry
- Nature of Entity
- APolicies / changes if Any
- Entity Objectives
- Review of financial Performance

Risk Assessment Procedure - set of all procedure to ensure Identification of ROMM

- (A) • Inquires
• Analytical Procedure
• Observation
• Inspection
- (B) Previous Experiences
- (C) Discuss with Audit team, how prone entity is to ROMM

🕒 Existence of Internal Control
Operating Effectives of Control
Continuity of its Application

Level on which Identifying & Assessing of risk will be done



- Auditor is concerned with significant risk over 1st level or Assertion level.
- On performing SP the auditor due to findings encountered can be in a state to Revise N/T/E of Auditor's Procedure.

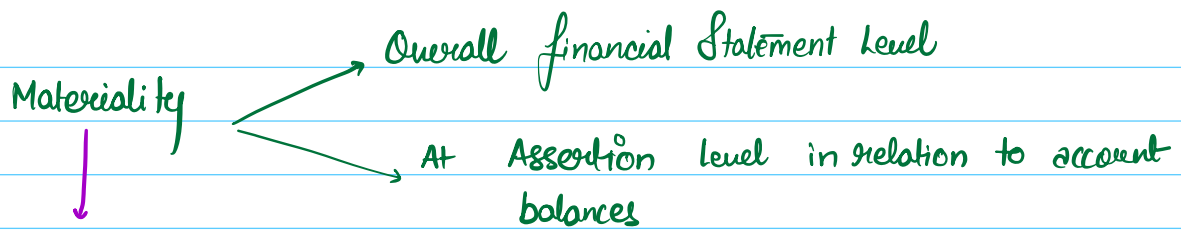
SA 320 - Materiality in Planning and Performing an Audit.

Scope - SA deals with Auditor's Responsibility to apply the concept of Materiality

Planning

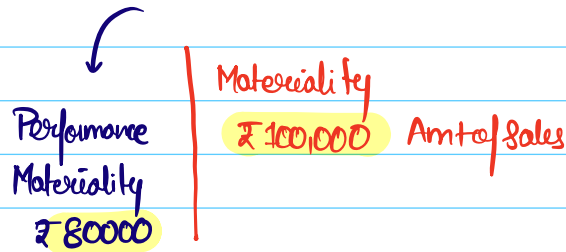
Performing

Objective - To Apply concept of Materiality in Audit



Subjective

- Something which the users of the Statement find importance to influence investment patterns



to obtain an extra assurance with respect to level of ROMM

Benchmarking

- Is a method used to determine materiality level
- A percentage is applied on the variable balances to determine materiality in financial statements.

Note

- During course of Audit based on findings N/T/E may be revised which creates revision of Materiality level.
- The Audit Documentation shall contain
 - Amounts of Materiality
 - Revisions with Reasons
 - Performance Materiality
 - Account/Balance wise Materiality Levels.

SA 330 - Response to Assessed Risks

Scope - This SA deals with responsibility of Auditor to design and implement Response to risk.

Objective - To obtain STA Audit Evidence about assessed ROMM

through designing & Implementing proper responses

Further Audit Procedure

Test of Controls (Compliance Procedure)

Pre Condition
SA 315

Expectation → Operating Efficiency
Effectiveness

- check IC over a period of time
- Previous Audit Experience, if any
- Test to find Significant Risk
- If deviations found

↓
Impact
throughout
F&T

Test of Details (Substantive Procedure)

• Books
Balances
Accounts } → Verification of
Books of

Computation
• ICAI
Inquiry
Inspection
Analytical
observe External
Reperformance

Documentation

- SAAE obtained
- Results of Audit Procedure
- Overall Responses → NITIE

Part III - SA 400 Series

SA 450

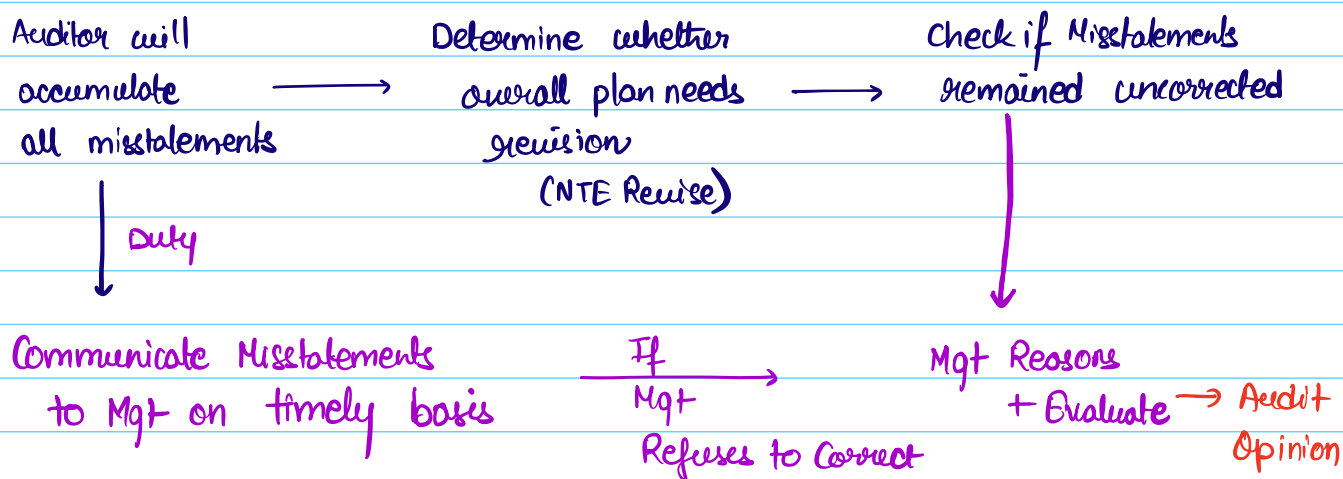
SA 450 - Evaluation of Misstatements Identified during the Audit

Scope - This SA deals with Auditor's Responsibility to evaluate the effects of identified misstatement.

Objective -

- The effect of Identified misstatements on Audit and
- The effect of Uncorrected misstatements on FS.

Flow -



SA 260 - Responsibility to inform TCWG

↳

265SA

Request
↓
Written Representation SA 580

Documentation

- Materiality level (Misstatements too small)
- All have been corrected or not
- Effect of Uncorrected Misstatement.

Part IV - SA's Marathon

SA 500 ✓

SA 501 ✓

SA 505 ✓

SA 510 ✓

SA 520 ✓

SA 530 ✓

SA 550 ✓

SA 560 ✓

SA 570 ✓

SA 580 ✓

SA 500 - Audit Evidence

Scope - The responsibility is to obtain Sufficient and Appropriate Audit Evidence on which to draw conclusions for Audit Opinion

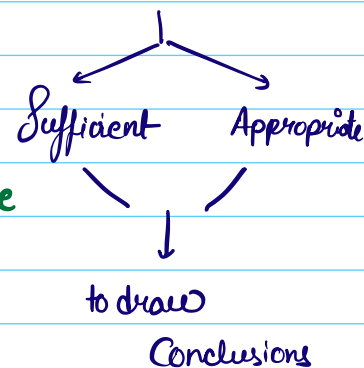
Objective - To design and perform Audit Procedure to Audit Evidence

Information

The Auditor shall consider the Relevance & Reliability of the Audit Evidence

↓
from the Mgt (less Reliable)
by Auditor himself (More Reliable)

for the Purpose



Evidences

Risk Assessment

Further Audit Procedure

TOC (Compliance)

TOB (Substantive)

Alternate Audit Procedure

↑
Inconsistency in Audit Evidence
from different sources

Additional Audit
Procedure

↖
No Inconsistency in
Audit Procedure

Management Expert hired → Auditor can use the work of the
Expert but first
Competence }
Capability } → Analyse
Objectivity }

SA 501 - Audit Evidence Specific Considerations about Selected Items

Scope - This SA deals with Auditor's Responsibility to obtain Sufficient and Appropriate Audit Evidence for Selected Items

Objective - The SA requires the Auditor :

presentation & disclosure of Segment Information as per FRF
Existence and Condition of Inventory
Completeness of Litigation and Claims

Inventory

2013 ← Additional Procedures → 2016

Material →
⊛ Attend Physical Verification → happened on a day other than 1st date
→ Perform Other Audit Procedures on Inventory Records

⊛ Physical Counting

Case 1 Unable to attend due to Unforeseen
Situation → Other Procedures

Case 2 If impracticable to attend

Alternate Procedure

↓
Possible
OK → NO (Modify Report)

Litigation & Claims

Auditor to Perform Audit Procedures to identify litigation & Claims

- Inquiry of Management
- Review the Minutes of Meetings
- Review legal Expenses

If Auditor is of the opinion that ROMM ↑ → External Confirmation with Legal Counsel

(modify) SA 705 ← Unable to Communicate (Not denied)

Obtain a written Representation of all possible litigation and Claims according to company.

Segment Information

- Evidence Presentation & disclosure → Understand method of segment determination and assessment.

→ Perform ARP

SA 505 - External Confirmation (EC)

Scope - This SA deals with the External Auditor's confirmation Procedure to obtain Audit Evidence

Objective - To obtain EC in order to establish relevancy of Audit Evidence.

Procedure - Determine information to be confirmed

Selecting the Appropriate confirming Party

✓ ROMM ↑ IC ↓ ER ↑

Positive

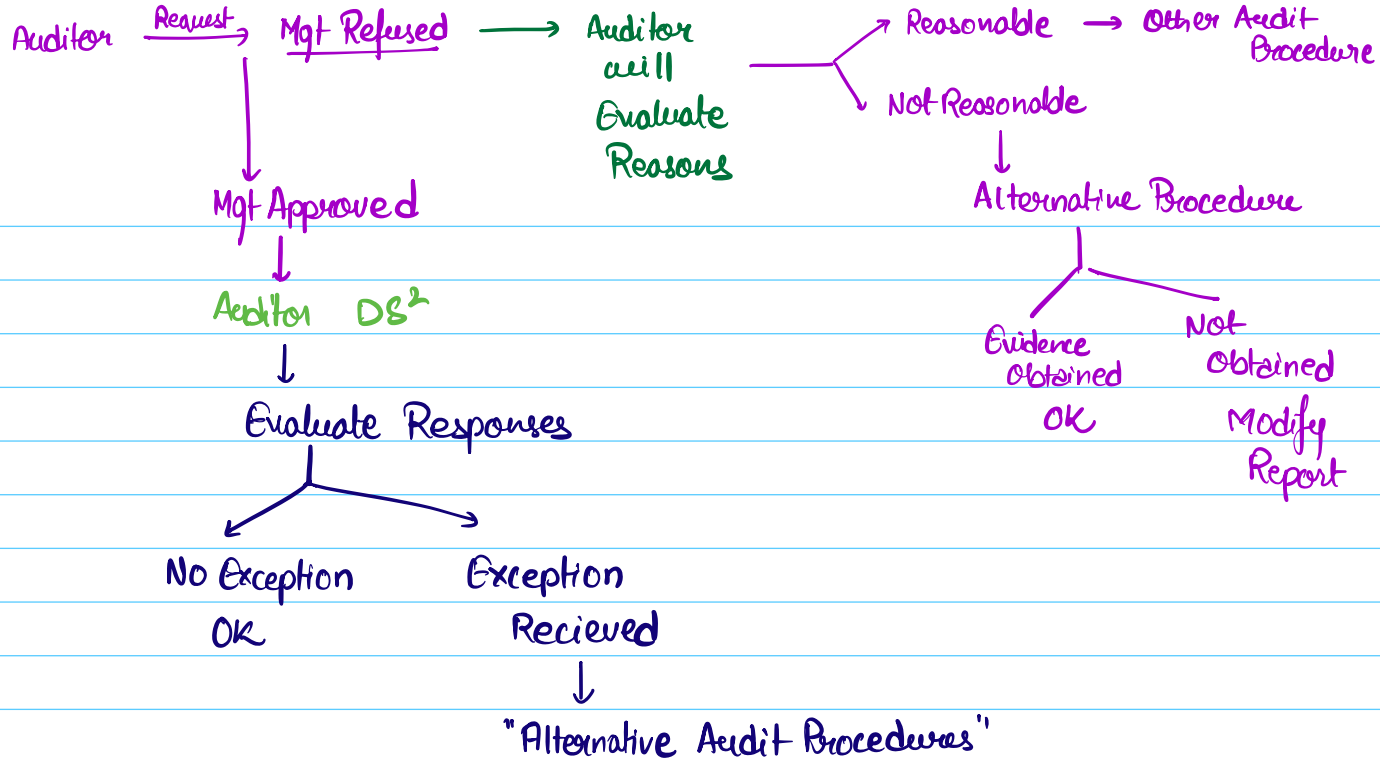
✓ ROMM ↓ IC ↑ ER ↓

Negative

Designing the request

Sending the request

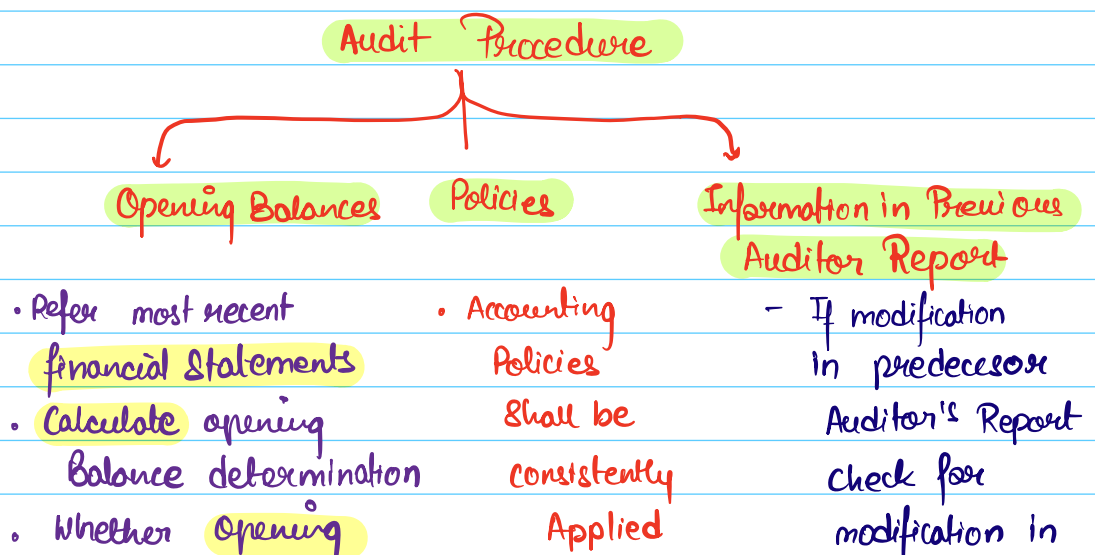
Management Refused to send External Confirmation



SA 510 - Audit of Opening Balances

Scope - This SA deals with verification of opening balances in conducting
 → Initial Audit Engagement
 → New EA

Objective - Auditor to assess
 → whether Opening Balances contain any misstatements
 → whether Appropriate Accounting Policies have been consistently Applied & if any change occurs it has been properly accounted and presented for.



Balances have Appropriate Procedures

- Due to misstatement in opening balances there is misstatement in current year books.

- Obtain (SAAE) that the same has been done

Current year's Audit Report

Audit Conclusion & Reporting

Opening Balance → No Evidence Obtained (Disclaimer)
Evidence ✓ Conclusion → Misstated (Adverse)

Consistency → If not consistently Applied (Adverse)
If consistently Applied (Clear)

Modification → If the opinion of Predecessor Auditor is relevant

↓
uncorrected by Mgt

↓
Modify CV report

SA 520 - Analytical Procedures

Scope- This SA deals with Auditor Use of Analytical procedures as Substantive procedures for obtaining Audit Evidence

Objective- To Obtain Sufficient & Appropriate Audit Evidence
To design and perform Analytical Procedure near (End of Audit) why?

To understand that whether the FS are consistent with the Auditor's understanding entity of FS

Procedure - • Determine suitability of Analytical Procedure
• Evaluate Reliability of Data

- Develop an expectation of Recorded Amounts
- Determine the Amount of Acceptable difference

Results

- Inquire the Management
- Perform other Audit Procedures

SA 200 | 210 | 220 | 240 | 250 | 260 | 265 | 299 | 300 | 315 | 320 | 330 | 450 | 500 | 501 | 510 | 505 | 520

SA 530 - Audit Sampling

Scope - This SA applies when Auditor has decided to use Audit Sampling in performing Procedures

Objective - To provide reasonable basis for the Auditor to draw conclusion about the population

Procedure - Design the Sample (depends on the characteristics of population)
Determine Sample Size in order to reduce Sampling Risk

[D → S → S]

(Sample Size ↑ Risk ↓)

Select items for the Sample (every item has equal chance of selection)

Performing the Audit Procedure

- Implement on each Selected item
- If a particular AP is not suitable for Sample change the AP (not Sample)

Suppose if the Sample Selected does not Apply an AP while others do

indication of Misstatement

- Investigate Reasons for deviation



AIM is to identify that whether or not it is an anomaly (not remaine throughout)

SA 550 - Related Party

as defined in FRP or

- Holding - (Subsidiary)
- (Holding) - Subsidiary
- X Ltd → Common → Y Ltd

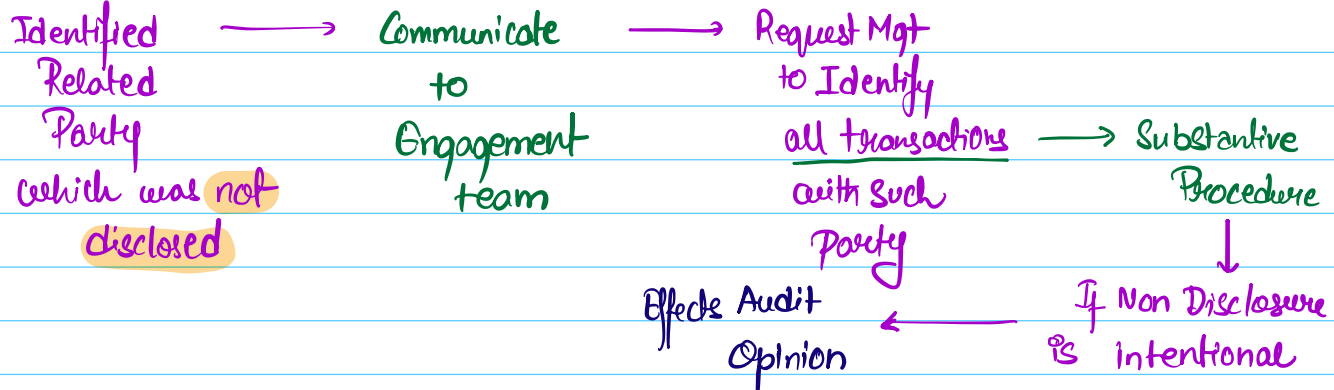
Scope - This SA deals with Auditor's Responsibilities regarding related party transactions

Objectives -

- To obtain an understanding of related party transactions
- To Obtain AE that all RPT are appropriately Presented & Disclosed.

Procedure

① Auditor



②

Auditor to obtain WRL from Mgt

All Related Parties are disclosed and all such transactions have been properly accounted for and disclosed.

Auditor to communicate Significant Matters to TCWGr.

Documentation

- Names of all Related Party identified.
- Effect of unidentified Related Party transactions.

SA 560 - Subsequent Events

Scope - This SA deals with Auditor's Responsibilities related to

Subsequent Events.

Objective - $\hat{A}$ SAAE Events

Date of FS

Date of Auditor's Report

↓
Properly disclosed in f8t

- Respond Appropriately to facts become known to the Auditor only after submission of Audit Report

- AP to ensure all events are identified

- AP $\rightarrow$ Nature/Extent will depend on Auditors

↓ Event found

- Whether such Event is disclosed in FST

- Security: Obtain WRL (All Events disclosed)

③ Discussion with TCWG

Decide whether PS need amendment

Enquire how will Mgt show this in FST

Mgt Agrees for disclosure &

Adjustment

- Adjust & Amend the Audit Report

OR

- EOM/OM para introduce

Mgt does not Agree
for disclosure
2

Adjustment.

- If Audit Report Not Submit (Modify it)

- If submitted
→ TCOG Inform not to pass
on to third parties
→ Auditor shall take
proper steps to
ensure
no reliance

Scope - This SA deals with the Auditor's responsibilities in the Audit of FS relating to going concern.

Objective - Obtain SAAE to ensure going concern basis is followed or report on material uncertainties identified.

Responsibilities → Auditor • to ensure SAAE*
about GC +
• Material uncertainties if any

↓
Management

- To make Specific Assessment of entity's Ability to continue as a going concern.
- Appropriate disclosures of Going Concern

⊛ Auditor finds

→ Going Concern Assumption is invalid.
• Auditor to Express Adverse Opinion

→ Material Uncertainties → Properly disclosed

↓
NOT Properly disclosed ↓
Unmodified (Opinion)

↓
Adverse (Opinion)

SA- 580 Written Representations

Scope - This SA deals with Auditor's Responsibility to obtain written Representation from the Management and from TCWG.

Objectives -

- To Obtain WRL that Management has fulfilled its responsibility
- To Support obtaining Evidence from other Audit Procedure
- To Respond Appropriately to written Representation provided by Mgt

Note: Since coming from Management it does not provide sufficient
① Appropriate Audit Evidence.

② WRL shall be as close as to the Audit Report as possible

Doubts over reliability of WRL

Auditor to perform → Audit Procedure → to Resolve the matter

WRL → Not Provided → modifg. → SA 705

Part V - 600 Series

SA 600 ✓

SA 610 ✓

SA 600 - Using the Work of Another Auditor

Scope - Principal Auditor + Other Auditor
When PA Uses the Work of OA

Consideration by PA before Accepting the Engagement

- Materiality of Other Component Audited by OA
- Knowledge of business
- ROMM of OC Audited by OA
- Additional Procedures in such case

Accepted → PA Advises the OA Regarding use of his work
inform OA → Aware of Special attention + time table for completion

→ PA Considers Findings Other Auditors

↓
he shall conduct a few tests on work of OA

Co-ordination between Auditors

Sufficient Communication between PA & OA → Advice OA on Matters of Importance in Report of PA. → PA may Require the OA to answer a questionnaire on timely Basis

Reporting Considerations

→ OA (Own Report Modify)

PA shall verify whether this could Result in modification in his Report.

↓
PA
(Scope Limitation to Verify and check the other component which the OA is handling)

↓
PA is of the opinion
(work of OA cannot be used)

Opinion — "Disclaimer"

SA 610 - Using the Work of Internal Auditor

Scope - This SA covers the external Auditor's Responsibility with respect to Using Work of Internal Auditor

Objective - (1) To determine that whether work of IAF or direct assistance from IAF can be used.
(2) If Yes use of work or Use IAF for direct Assistance

Note: Ultimate Responsibility of Auditor Opinion lies on the External Auditor's Shoulders.

Praxis to Selecting IAF use Auditor to Evaluate

C - Competence

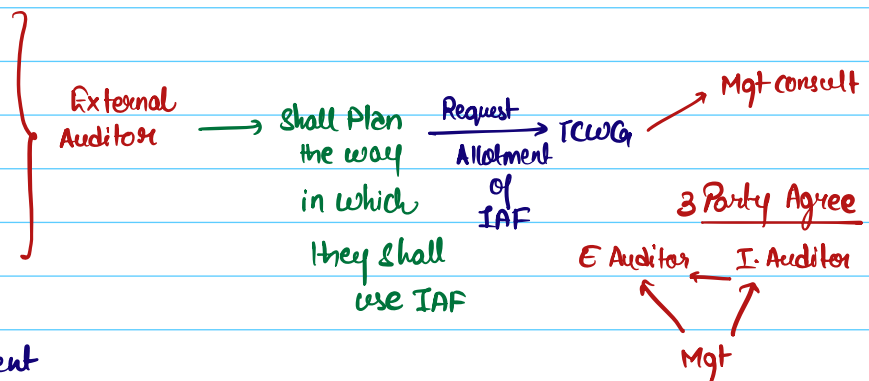
O - Objectivity

Q - Quality of Work

+

E Auditor. Procedure Implement to understand the influence of the Mgt on IAF

(Influence ↑ Independence ↓ Use of Work E-A ↓)



SA 700 ✓
SA 701 ✓
SA 705

SA 700 - Forming an Opinion on Financial Statements

Scope - Deals with Auditor's Responsibility to form an Opinion on the financial statements on an entity

Objective - To Express a Clear Opinion in writing. (Unmodified)

That the FS as a whole are prepared as per applicable FRF

Auditor's Report

Title

Addressee

Auditor's Opinion

Basis for Opinion

Going Concern

Key Audit Matters 701

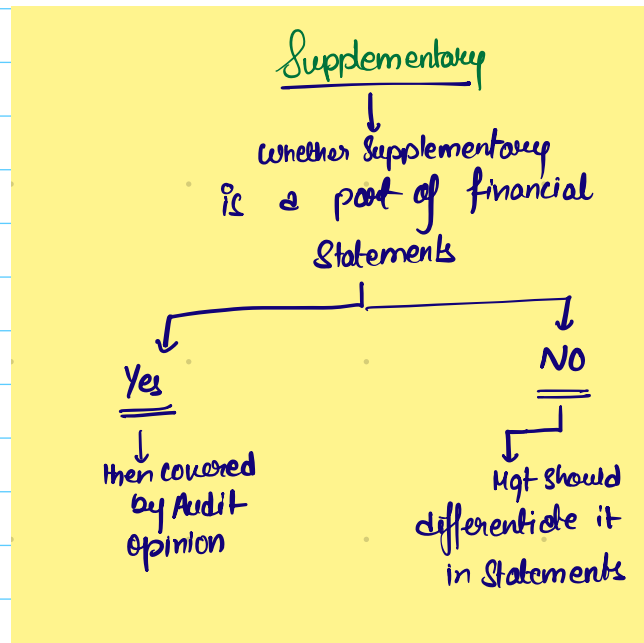
Auditor Responsibilities

Management Responsibilities

Signature

Place of Signature

Date



SA 701 - Key Audit Matters

Scope - Deals with the Auditor's Responsibility to Communicate Key Audit Matters in the Auditor's Report.

Objective - To highlight the Key Areas on which the Audit Opinion has been designed.

How to decide KAM?

① Areas of higher assessed risks of Material Misstatements ROMM ↑

② Matter Significant in Auditors Judgement

③ Significant Events

Note

Not KAM → Substitute for Modified Opinion
Material Uncertainty as to Going Concern
FRF disclosure
Separate Opinion on Individual

SA 705 - Modification in the Auditors Report

Types of Modification

Misstatement Material ✓ Perwaise x Qualified Opinion

Misstatement Material ✓ Perwaise ✓
(found AE ✓) Adverse Opinion

Misstatement Material ✓/x Perwaise ✓/x
(AE Not found) Disclaimer Opinion

Material + Perwaise ✓

Withdraw