

Chapter - 7 " Reporting "

- ✓(1) SA-700 "Forming an opinion and Reporting on f.s."
- ✓(2) SA-705 "Modifications to the Opinion in the Independent Auditor's Report"
- ✓(3) SA-706 "Emphasis of Matter Paragraph and Other Matter Paragraph in the Independent Auditor's Report"
- ✓(4) SA-701 "Communicating Key Audit Matters in the Independent Auditor's Report"
- ✓(5) SA-720 "The Auditor's Responsibilities relating to Other Information"
[SA-706, 701 and 720 - covered in separate Lecture]-47]
- (6) SA 710 - Comparative Information - Corresponding figures and Comparative f.s.

(A) Introductory topics: - Reading from book -

(B) Audit procedures w.r.t. Comparative Information:

(i) Determine whether the f.s. include comparative info.

If yes, whether comparative info. has been appropriately classified as per the requirements of applicable FRF.

Note: In Indian context, comparative info. is generally classified as Corresponding figures.

(ii) Evaluate whether the comparative info. agree with the amount and disclosures of prior period f.s.

(For this purpose, analytical procedures may be applied).

(iii) Evaluate whether the accounting policies adopted in the preparation of comparative info. are consistently applied in the current period f.s.

If there is any change in accounting policy, evaluate whether the effect of such change is appropriately accounted for and disclosed as per relevant AS.

(iv) If any doubt arises as to existence of material misstatement in comparative info, auditor shall perform additional procedures.

(For Ex. If prior period f.s. were audited by same auditor, procedures as prescribed in SA 560 shall apply.

If prior period f.s. were audited by predecessor auditor, report it to appropriate level of management and request that the predecessor auditor be informed.

(v) Obtain a WR from mgmt. that all previously provided WRs still remains valid.

(C) Audit Reporting:

(i) Corresponding figures: Auditor's Report shall not refer to corresponding figures, except in following cases:

(a) If AR of the previous period contains modified opinion. (and that modification not yet resolved)

(b) If auditor is of the opinion that he has SAAE w.r.t. existence of material misstatement in the f.s. of prior period, which was not addressed earlier.

(ii) Comparative f.s. :- Auditor's opinion shall refer to each period for which f.s. are presented.

- If auditor's opinion on such prior period f.s. differs from opinion previously issued on f.s., auditor shall disclose the substantive reason for the different opinion in the OM Para.

(iii) Common Reporting requirements:

(A) If prior period f.s. unaudited: Include an OM Para stating therein that comparative info. was unaudited.

(In such case, requirements of SA 510 shall apply)

(B) Prior period f.s. audited by predecessor auditor: Auditor's report to contain

OM Para stating the following:

(a) f.s. of prior period audited by predecessor auditor.

(b) Type of opinion expressed by him.

(c) Date of that report.

(7) Notes on Accounts and Qualifications ; Report vs. Certificate: From Book

(8) Duties of Auditor:

(i) Inquiry into Propriety Matters - Sec. 143(1):

(a) Loans and Advances — Secured / Terms — prejudicial

(b) Book Entries — Prejudicial

(c) Sale of Shares, debⁿ and other securities — S.P. < acquisition cost

(d) Loans and Advances — shown as deposits

(e) Personal Expenses — charged to Revenue

(f) Shares Allotted for Cash — Actually recd; If not — B/s — Correct position

(ii) Reporting U/s 143(3):

(a) — Information and Explanation

(b) — Proper Books of Ac + Returns — Branches (not visited)

(c) — Branch Audit Reports — sent to him + Manner

(d) — B/s + SPL — agree with books of Ac

(e) — f.s. — comply with AS

(f) - Ob/Comments - financial txns/Matters - adverse effects

(g) - Director's disqualification U/s 164(2)

(h) - QIRIA - Maintenance of A/c

(i) - IFC - adequacy and op. effectiveness

	<u>T/O</u>	<u>PUC</u>	<u>Borrowings - Banks</u> <u>F.I. + Body Corporate.</u> (through out the year) <u>Max</u> <u>O/S</u>	<u>IFC Reporting.</u>
<u>Ex:</u>				
A (P) Ltd.	<u>30 Cr.</u>	<u>3 Cr.</u>	26 Cr. - <u>O/S</u>	No. (Small Co.)
B (P) Ltd.	<u>40 Cr.</u>	5 Cr.	<u>26 Cr. Max (O/S Bal.)</u>	Required
C (P) Ltd.	<u>45 Cr.</u>	3 Cr.	<u>22 Cr. Max (O/S Bal.)</u>	not required
<u>D Ltd.</u>	<u>36 Cr.</u>	<u>3.5 Cr.</u>	10 Cr. Max (O/S Bal.)	Required.

(J) Other Matters as prescribed - Rule 11 of Companies (Audit and Auditor's Report)

