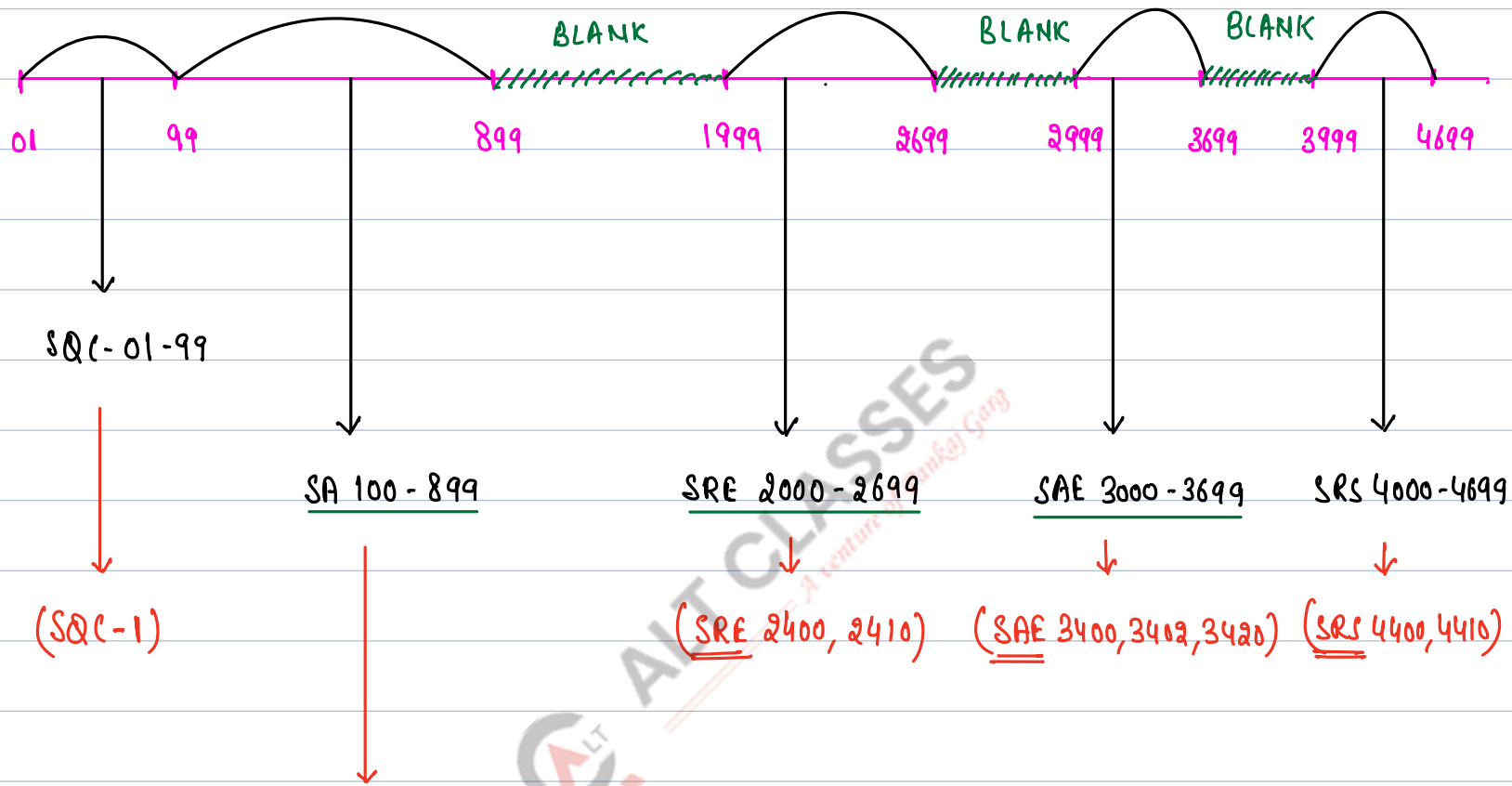


Introductory Lecture - 2

(ii) EQCS:



SA 100 - 199 - Introductory Matters - No Standards issued.

SA 200 - 299 - General Principles - 200, 210, 220, 230, 240, 250, 260, 265, 299 - 9

[SA 300 - 499 - Risk Assessment - 300, 315, 320, 330, 402, 450 - 6

SA 500 - 599 - Audit Evidence - 500, 501, 505, 510, 520, 530, 540, 550, 560, 570, 580 - 11

SA 600 - 699 - Using work of others - 600, 610, 620 - 3

SA 700 - 799 - Audit Conclusion and Reporting - 700, 703, 705, 706, 710, 720 - 6

SA 800 - 899 - Specialised Area - 800, 805, 810 - 3

Total SAs

38

(iv) Types of Engagements:

2 types

(A) Assurance Engagements

An engagement in which a practitioner obtains the assurance about the subject matter and express an opinion/conclusion on the basis of Assurance obtained.

Types of Assurance:

(i) Absolute Assurance:

Requires 100% Satisfaction on Accuracy of Subject Matter.

For Ex: Certification work

(ii) Reasonable Assurance:

Implies High, but not absolute assurance.

For Ex: Audit Engagements.

(iii) Limited Assurance:

Moderate Assurance, which is lower than the reasonable assurance.

For Ex: Review Engagements

(B) Non-Assurance Engagements

An engagement in which a practitioner reports on fact findings without obtaining any assurance about the subject matter; hence no opinion/conclusion is being expressed.

Examples: Related Services Engagements

- (a) Agreed upon Procedures
- (b) Compilation Engagement.

100%

Near to 100%

< Reasonable.

(v) Framework of Auditing:

(A) Legal Provisions

↓ as contained in

- ✓ - Companies Act, 2013
- ✓ - Income-Tax Act, 1961
- Banking Regulation Act, 1949
- LLP Act, 2008
- Co-operative Societies Act, 1912

(B) Standards on Auditing

↓ as issued by

- Auditing and Assurance Standards Board (AASB) of ICAI. (SA)
- International Auditing and Assurance Standards Board (IAASB) of International Federation of Accountants (IFAC) (ISA)

(C) Other Pronouncements

(Formal Announcement)

↓

- (i) issued by ICAI (Standards, Guidance Notes, Technical Guides, Statements, etc.)
- (ii) issued by Regulatory authorities like
 - SEBI
 - RBI
 - IRDA

(vi) Format of SA:

↓
Part - I

↓

Introduction - comprises of

- (a) Scope
- (b) Effective Date
- (c) Objective of Auditor
- (d) Definitions

↓
Part - II

↓

Requirement Section

This section provides detailed requirements to be complied with by auditor.

Note: Both introduction and requirements need to be studied with Application and other Explanatory Material.

(vii) Auditor's overall objectives:

As per SA 200 "Overall Objectives of the Independent Auditor and Conduct of an Audit in accordance with Standards on Auditing", overall objective of the Independent Auditor is:

"To obtain Reasonable Assurance that the f.s. as a whole are free from material misstatements, whether caused due to error or fraud, so as to express an opinion, whether the financial statements are prepared in all material respects as per the requirements of applicable financial reporting framework; [and to issue a report thereon]

NOTES: (1) Reasonable Assurance: High, but not absolute.

(2) Financial statements: As per Sec. 2(40) of Companies Act, 2013, F.S.

includes: (a) Balance sheet;

(b) Statement of Profit and loss;

(c) Cash flow statement;

(d) Statement of changes in Equity; and

(e) Explanatory Notes to accounts.

(3) Materiality: (SA 320): Anything that is so significant that can affect the economic decision of users of f.s.

(4) Misstatement: (SA 450): Difference in Amount;

Classification;

Presentation; and

Disclosure of a f.s. item.

(5) Error or fraud: (SA 240): Error - Unintentional Activity
Fraud - Intentional Act.

(6) Financial Reporting Framework: Principles / Standards / Guidelines, on the basis of which f.s. are prepared.

For Ex: AS, ; Ind-AS ; GAAP ; GFRS ; Sch-III of Companies Act.