

Chapter - 8 "Specialised Areas" (SA 800 - 899)

① SA-800 "Special Consideration - Audits of F.S. prepared in accordance with special Purpose Frameworks:

(i) Meaning and Examples of special Purpose Frameworks: Learning + Noting - H.W.

(ii) Special Considerations: Engagement → Planning and → Forming an opinion
Acceptance → Performing → and Reporting

Special Considerations when accepting an Engagement:

(a) Determine acceptability of FRF applied in the Circumstances, considering requirements of SA 210.

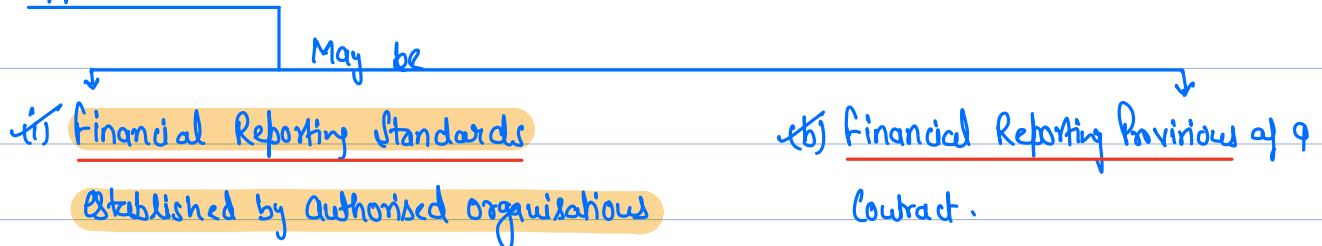
(b) Obtain understanding of: (i) Purpose for which F.S. are prepared;

(ii) Intended Users; and

(iii) Steps taken by Mgmt. to determine acceptability of FRF.

(c) Key factor in determining acceptability of FRF: will be financial information needs of intended users.

(d) Applicable FRF:



whether it is supplemented by regulatory requirements

YES

Consider whether framework exhibits attributes as described in SA 210.
[Relevancy, Completeness
Reliability, Neutrality]

Determine whether any Conflict exist
between financial reporting standards
and additional requirements

↓ YES

Take appropriate action

[Understandability.]

Note: Importance of attributes in
a particular circumstances
of an Engagement is a
matter of Professional
Judgement.

Special Considerations when planning and performing an audit of F.S. prepared on SPF:

- Determine whether application of SAs requires special consideration while doing so, consider requirements of SA 200 as to compliance of (a) Relevant Ethical Requirements; and (b) All relevant SAs.
- Auditor is required to comply with each requirement of SA unless:
(a) Entire SA is not relevant; or (b) Requirement is not relevant.

For Example: SA 710 will not be applicable if F.S. does not include
Comparative information.

- In SA 320, judgement about materiality of an item is to be based on consideration of financial information needs of intended users (instead of common information needs of users as a group).
- If F.S. are prepared in accordance with requirements of a contract, management may agree with intended users on a threshold below which misstatements will not be adjusted.
In this case also, requirements of SA 320 shall apply.
- If responsibility for oversight of preparation of special purpose F.S. is of persons other than TCWG, requirements of SA 260 shall not apply.

Special Consideration - Forming an opinion and Reporting on F.S.:

- Apply the requirements of SA 700.
 - SA 700 requires the auditor to evaluate whether the F.S. adequately refer to or describe the applicable FRF.
 - Auditor's report shall describe (a) Purpose for which F.S. are prepared; and (b) Intended Users.
 - If Management has a choice of FRFs, explanation of Mngt. Responsibility Section shall make reference of their responsibility for determining acceptability of FRF.
 - EOM Para: Special Purpose F.S. may be used for purpose other than those for which they were intended.
Hence, to avoid misunderstanding, Auditor should alert the users that the F.S. are prepared in accordance with a special Purpose Framework and hence may not be suitable for another Purpose.
 - Restrictions on distribution and Use:
 - In addition to alert as discussed above, auditor may consider it appropriate to indicate that auditor's report is intended for Specific Users.
 - This may be achieved by restricting the distribution and use of auditor's report.
 - In such circumstances, paragraph alerting the readers may be expanded to include these matters and heading "Basis of Accounting and Restriction on Distribution and Use" may be applied.
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Ch-8 "Specialised Areas"

(2) SA 805 - Specific Consideration - Audits of Single F.S. and Specific Elements, Accounts or Items of a financial statement:

(i) Meaning of Single F.S. and Specific Element: - From Book -

(ii) Engagement Acceptance Consideration:

(A) Application of SA:

- SA 200 requires the auditor to comply with requirements of all relevant SAs. Auditor should determine whether application of SAs requires special consideration.
- Determine practicability of audit of single F.S. / Specific Element, if not engaged to audit the complete set of F.S.
- Compliance with requirements of SAs may not be practicable when auditor is not also engaged to audit complete set of F.S., as auditor does not have same understanding of Entity, its environment and Internal Controls as an auditor who audit the complete set of F.S.
- In case of audit of specific element, certain SAs requires audit work that may be disproportionate to the efforts required. (e.g. Requirements of SA 510 in case of audit of accounts receivable).

(B) Acceptability of FRF:

- SA 210 requires auditor to determine acceptability of FRF applied in the preparation of the single F.S. / Specific Element.
- Ensure that adequate disclosures made to enable intended users to understand the information conveyed in single F.S. / Specific Element
- If FRF established by authorised standard setting Organisation, consider whether FRF includes all requirements of framework on which it is

based and provides adequate disclosures.

(iv) Planning and Performance Consideration:

- Adapt all SAs relevant to the audit.
- If also engaged to audit complete set of f.s., Audit evidence obtained may be useful; but auditor nevertheless need to plan and perform audit of single f.s. / specific element to obtain SAAE on which to base his opinion.
- In relation to interrelated items, Auditor shall perform required procedures to meet the objectives of audit.
- Materiality determined for a single f.s. / specific element may be lower than materiality for the complete set of f.s.; this may affect NTE of audit procedures and Evaluation of uncorrected misstatements.

(v) Forming an opinion and Reporting Consideration:

- Apply SA 700 adapted, as necessary in the circumstances.
- If engaged to report on complete set of f.s.; express separate opinion on each engagement.
- If audited single f.s. / specific element published with complete set of financial statements, presentation of single f.s. / specific element should be clearly differentiated from complete set of f.s.

~~Imp.~~
Special Circumstances:

Audit Report on Complete Set of F.S.

- ↓
- Modified opinion (Qualified)
 - Includes EOM Para / OM Para

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Determine its effect on Auditor's Report on Single F.S. / Specific Element

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If deemed appropriate, Modify opinion on Single F.S. / Specific Element; or include EOM Para / OM Para in audit report on Single F.S. / Specific Element.

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Adverse Opinion / Disclaimer of Opinion

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SA 705 → does not permit unmodified opinion on Single F.S. / Specific Element by Same Auditor.

~~Imp.~~
Exception:

- Unmodified opinion on Specific Element may be expressed if:
 - (a) Not prohibited by law and regulation;
 - (b) Audit report on specific element is not published together with audit report on complete set of F.S.; and
 - (c) Specific Element does not constitute a major portion of Entity's complete set of F.S.
- Unmodified opinion regarding state of affairs is permitted, if Disclaimer issued w.r.t. result of operation and cash flows.

Example:

Audit opinion on Complete Set of f.s.



- Unmodified opinion

- Adverse opinion

- Disclaimer of opinion

→ Audit opinion on Single f.s.



Modified opinion not permitted as it creates contradiction

Unmodified opinion not permitted as it creates contradiction

Unmodified opinion is not permitted in general. However, unmodified opinion regarding state of affairs is permitted, if disclaimer of opinion was issued w.r.t. results of operations and cash flows.

Audit opinion on Specific Element

Modified Opinion permitted if Element does not have a Material effect on f.s. as a whole.

Unmodified opinion permitted, if
(a) Not prohibited by L&R.
(b) A.R. on complete f.s. Published separately.
(c) Specific Element is not major portion of f.s.



- same -