

Chapter - 7 "Completion and Review"

Topics Covered:

- (1) SA-260 "Communication with TCWG"
- (2) SA-265 "Communicating deficiencies in R.C. to TCWG and Mngt."
- (3) SA-450 "Evaluation of Misstatements identified during the audit:"
- (4) SA-560 "Subsequent Events"
- (5) SA-570 "Going Concern":

✓ AS-1 "Disclosure of Accounting Policies" → Fundamental Accounting Assumptions



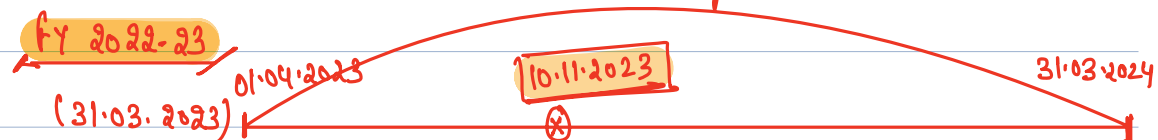
- No Intention / No necessity — shut down / Curtail operations
i.e. business will continue for foreseeable future

- If G.C. assumption is following → Assets and Liabilities
able to realise. / (B.V.)
able to discharge

If G.C. assumption is not appropriate → Liquidation Basis

- Responsibility for assessing appropriateness of G.C. Basis

↓ Management and TCWG



(i) Period → G.C. assess - Minimum 12 Months

(ii) Events / conditions - doubt on G.C.

(A) Financial (B) Operating (C) Other

Material Uncertainty

(iii) Mngt → make plans - to mitigate the uncertainties

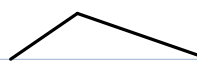


Plan - feasible / viable - ✓

(iv) Mngt. is satisfied with the plans.

✓ Adequate Disclosures required in the f.s.

Auditor: → RAP → Understanding → Mngt. Assessment of Entity ability to continue as a G.C.



No such assessment was performed by Mngt.

Mngt. Assess the G.C.

Basis.

↓
Ask Mngt. Basis for intended use of G.C.

↓
Discus whether any Events Exist

↓
Plan to address

↓
viability of Plan.

Evaluating Mngt. Assessment
(Substantive procedure)

→ Period selected by Mngt. (≥ 12 Months)

→ Events / conditions - doubt

→ adequacy of Disclosures made.

→ Perform Additional Procedures as required under the circumstances

↓
Conclusion and reporting.

Conclusion and Reporting

G.C. Appropriate

G.C. inappropriate

No Material
Uncertainty
Exists

Material Uncertainty Exists

Unmodified Opinion

No additional
reporting

Required Appropriate Disclosure

In the financial statements

Appropriate Disclosure
given in Notes to Au

Incomplete
Disclosures

No Disclosure
given

Unmodified opinion

Modified opinion
(Qualified)

Modified opinion
(Adverse)

Include a separate section
in Auditor's report

"Material uncertainty
relating to Going Concern"

Explain the facts
in the "Basis for
Qualified opinion"

Explain the reasons
in the "Basis for
Adverse opinion"

do draw attention to
the notes in the FS that
discloses the matters.

Section of Audit
report.

Section of audit report.

"MURG"

(1) Factors relevant to Mngt. assessment of G.C.:

- (a) Degree of uncertainty associated with the outcome of future event;
- (b) Size and complexity of the Entity;
- (c) Nature and condition of Entity's business;
- (d) Degree to which business is affected by external factors;
- (e) Judgements about the future based on the information available at the time when judgement is made.

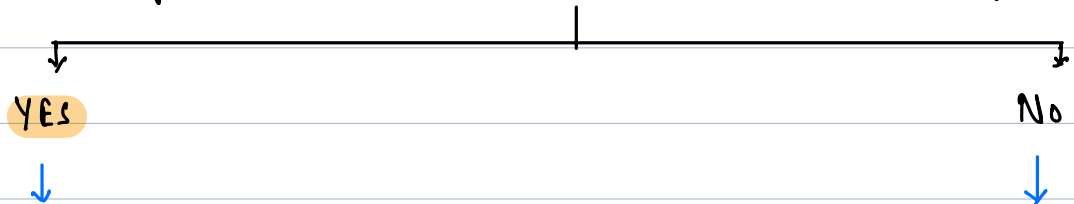
(2) Responsibilities of auditor: | - learning + Noting -

(3) Objectives of auditor:

(4) Auditor's procedures and reporting:

✓(A) Risk Assessment Procedure:

- Consider whether events or condition exist that may cast significant doubt on the entity's ability to continue as a going concern.
- For this purpose, auditor shall determine whether mngt. has performed a preliminary assessment of entity ability to continue as a going concern



Discuss the assessment with Mngt. and determine whether mngt. has identified events or condition that may cast significant doubt on entity ability to continue as Going Concern; and Mngt. plans to address such events

Discuss with Mngt. the basis for the intended use of Going Concern and Inquire whether events or condition exist that may cast doubt on entity ability to continue as a Going concern.

Events or Conditions that may cast doubt on G.C. assumption:

(a) Financial

(b) Operating

(c) Others

- Negative operating cash flow
- Net Current liability position
- Inability to pay creditors
- Discontinuation of Dividend
- Non availability of funds for necessary expansion.
- Inability to pay to fund providers
- Adverse financial ratios

- Labour shortage
- shortage of raw material
- Loss of major market.
- Emergence of a successful competitor

- Non compliance with statutory requirements
- changes in legal and regulatory requirements
- Uninsured or underinsured
- Catastrophes which may occur

(B) Evaluating Mngt. Assessment:

- Auditor shall evaluate management assessment of the Entity ability to continue as a Going Concern.
- For this purpose, auditor shall cover the same period as that used by Mngt; or the period specified by Law or regulation, if it specifies a longer period.
- If the period selected by mngt. is < 12 months, auditor shall request management to extend its assessment to at least 12 Months.

Auditor's duties when mngt. is unwilling to make or extend its assessment:

- Consider the implications for the auditor's report.
- In such situations, qualified opinion or disclaimer of opinion may be appropriate, as auditor may not be able to obtain SAAE.

(c) Performing additional procedures:

If auditor identified events or conditions that may cast significant doubt on Entity ability to continue as a going concern



auditor shall obtain SAAE to determine whether a material uncertainty exist relating to Going concern, through performing additional procedures

Additional procedures may include the following:

- (a) Evaluate Mngt. plans for future actions; whether such plans are likely to improve the situation; whether such plans are feasible to implement.
- (b) Analyse the cash flow forecast, if available; Evaluate the reliability of data used to prepare the forecast; determine whether there is adequate support available for assumptions underlying the forecast.
- (c) Request WR from mngt. and TCOG regarding their plans for future actions and feasibility of these plans.
- (d) Confirm existence of any arrangement to provide financial support; and assessing the financial ability of such parties to provide additional funds.