

MAY 24

LIVE

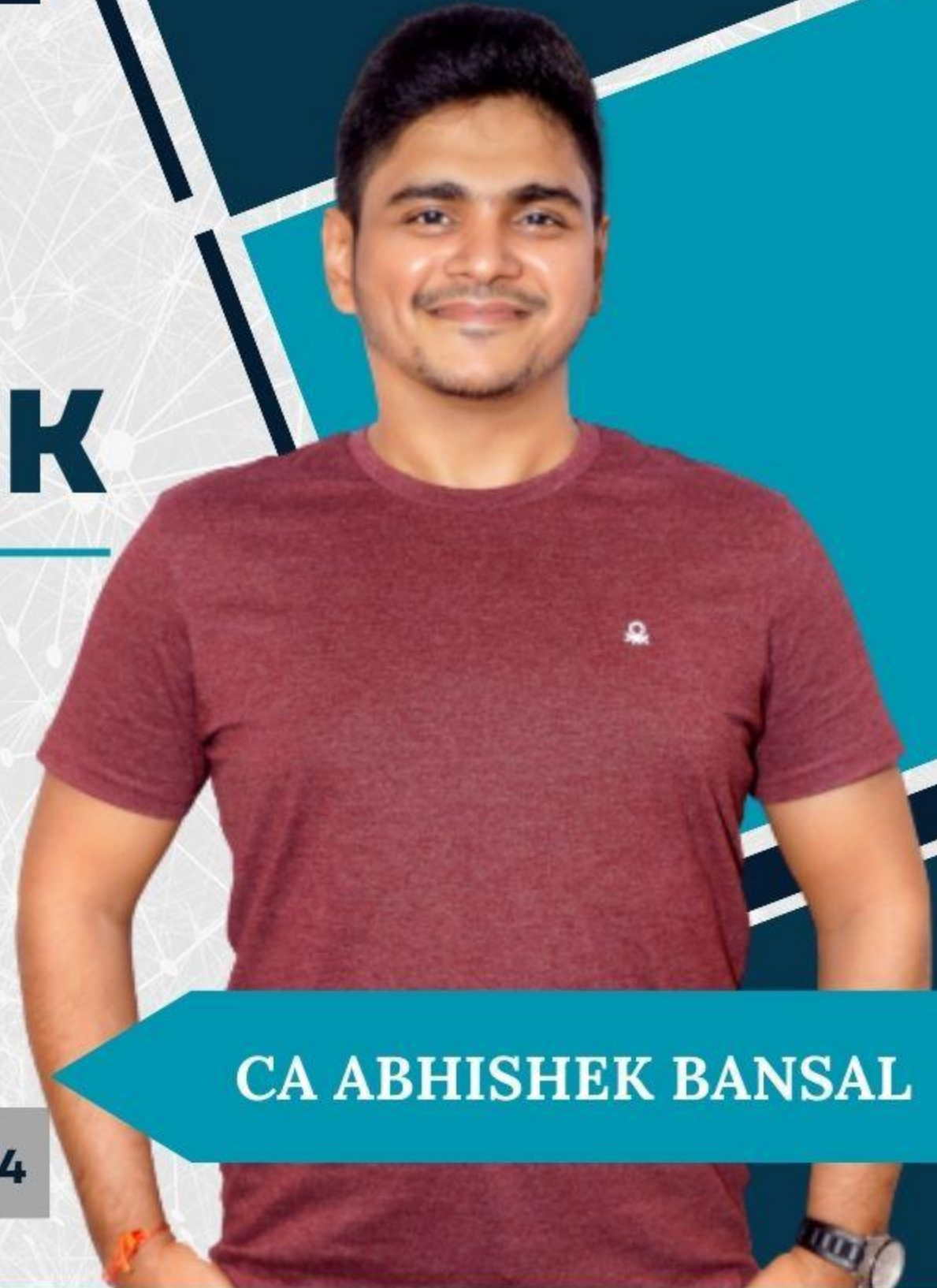
CA FINAL AUDIT SUPER FASTRACK

1 Main Book 1 Question Book
Duration : 60 Hrs Approx
(4-5 hours daily live)

PRICE

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Review of financial info

SRE 2400

Engagements to Review
Historical financial
Statements.

SRE 2410

Review of Interim
financial info performed
by the Independent
Auditor of the Entity.

SRE 2400

Q1. What is a Review?

- ① 'Review' is a limited assurance engagement.
- ② Limited assurance is a level of assurance where engagement risk is reduced to an acceptable level but where the risk is more than reasonable assurance engagement. to provide a basis for expressing a conclusion.
- ③ It involves fewer procedures and gathers SAAE on basis of which limited conclusions can be drawn up.
- ④ However, "review" is related to f.c.r. prepared on basis of Historical financial info just like an audit.

Q2. What are the objectives of SRE 2400 and who can do it?

following are the objectives:

- ① To obtain limited assurance, by making inquiry and performing analytical procedures about whether the f.st

are free from mms.

② Report on the FS as a whole and communicate as required by SRE 2400.

③ It can be conducted by any practitioner.

④ In cases where limited assurance cannot be obtained the practitioner shall:

disclaim the opinion or withdraw, if possible.

Q3. What are the factors affecting the acceptance and continuance of client relationship & review engagement?

Unless required by law and Regulation, the practitioner shall not accept a review engagement if:

① The practitioner is satisfied

(i) That there is a rational purpose for the engagement.

(ii) That a review engagement would be appropriate in the circumstances.

The practitioner may recommend other engagement like audit or compilation eng. as appropriate.

- ⑥ The practitioner has reason to believe that relevant ethical requirements, including independence, will not be satisfied.
- ⑦ The practitioner's preliminary understanding of the engagement circumstances indicates that info needed to perform the review engagement is likely to be unavailable or unreliable.
- ⑧ The practitioner has cause to doubt management's integrity such that it is likely to affect proper performance of the review (a)
- ⑨ Management or TCWG & impose a limitation on the scope of the practitioner's work resulting in the practitioner disclaiming a conclusion on the f.st.

Q4. What are the precondition for Accepting a Review Engagement?

Following are the precondition:

- ① Acceptability of FRF applied in preparation of f.st.
- ② Agreement of management in acknowledging and understanding its responsibility for preparation of FS & internal control.

③ To provide access to

Access to all info which mgt. is aware that is relevant for the preparation of FS

Add info that the practitioner may request from mgt.

Unrestricted access to the persons within the entity from whom the practitioner determines necessary to obtain evidence.

④ If above 1, 2, 3 are not present

↓
Practitioner shall discuss with TCWG & request for changes

↓
If changes cannot be made

↓
Practitioner → NOT ACCEPT THE ENGAGEMENT,
unless required by law.

↓
If he accepts such engagement,

then such engagement does not comply with SRE 2400

↓
the practitioner shall not include any reference
within the practitioner's report to the review
having been conducted in accordance with this
SRE.

Q5. Procedure for performing the Review eng.?

Step ①: Materiality in a Review of FS

① He (Practitioner) shall determine the materiality for the FS as a whole and apply the same in designing the procedure.

② He shall revise the materiality for the FS as a whole in case if he becomes aware of any info during his review which have caused the practitioner to determine a different amount initially.

Step 2: Obtaining Understanding of the Entity

He shall obtain an understanding of the entity and its environment and the AFRF to identify areas in the FS where mms are likely to arise and thereby provide a basis for designing procedures to address those areas.

Step 3: Designing and Performing Procedures

① In obtaining SAAE as the basis for a conclusion on the FS as a whole, the practitioner shall design and perform inquiry and analytical procedures:-

(a) To address all material items in the f.s., including disclosures

(b) To focus on addressing areas in the FS where material misstatements are likely to arise.

② In particular, the practitioner may perform inquiry and analytical procedures for review engagements.

[Read (a) Inquiry & (b) Analytical Procedure]
main book Pg 270

+
[Read why Inquiry/AP is imp.
Pg. 271 [v.v.v. imp.]

Step ④ Procedures to address specific circumstances

Read Related Parties, Fraud, GC,
work performed by others
Pg. 273 & 274 main book

Step ⑤ Additional Procedures when the practitioner becomes aware that the FS are materially misstated

① If the practitioner becomes aware of the matters that causes him to believe that FS are materially misstated, he shall design and perform procedures to

(a) Conclude that the matter(s) is not likely to cause the FS as a whole to be materially misstated.

(b) Determine that the matter(s) causes the FS as a whole to be materially misstated

② The practitioner will perform additional procedure if he believes that FS are materially misstated. What additional procedures to be applied is a matter of practitioner professional judgement.

③ These additional procedures may be:

Additional inquiry or Analytical Procedures

for eg, being performed in greater detail or being focused on the affected items.

Other types of procedures

for example,
substantive test of details or external confirmation.

Q6. What are the main WR for Review Engagement?
following are the main WR:

(a) That mgt has fulfilled the responsibility for preparation as per AFRF

&
they have provided the practitioners with all info and access as per the agreed terms.

(b) All transactions have been recorded and are reflected in the FS.

Q7. What are the additional WR that can be requested by the practitioner?

- ① Identity of the entity's related parties and related party txn's.
- ② Significant facts regarding frauds or suspected frauds known to mgt.
- ③ Known actual or possible non-compliance of Law or Regulation.
- ④ All relevant info regarding GC assumptions.
- ⑤ All events occurring subsequent to the date of FS.
- ⑥ Material commitments, contractual obligations that have affected or may affect the entity's FS
- ⑦ Material non-monetary txn's for no consideration undertaken by entity in the financial reporting period under consideration.

If the mgt. does not provide the requested WR, the practitioner shall:

(a) Discuss the matter with mgt and TCWG, as appropriate

(b) Re-evaluate the integrity of mgt, and evaluate the effect that this may have on the reliability of representations (oral or written) and evidence in general;

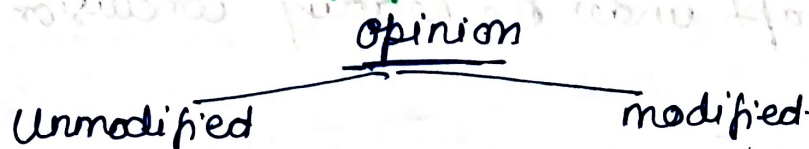
(c) Take appropriate actions, including determining the possible effect on the conclusion in the practitioner's report in accordance with this SRE

The practitioner shall disclaim the opinion or withdraw from the engagement if possible if:

if he has doubt regarding the integrity of the mgt. such that WR are not reliable

mgt does not provide the required WR for responsibility of preparation of FS

Q8. How does the practitioner forms an opinion on review engagement?



Read Pg 280-285 main book.

Q9. What are the contents of practitioners report?

a) A title.

b) Addressee(s)

c) An introductory paragraph that:

(i) Identified the FS reviewed, and the date and period covered by each FS.

(ii) Refers to the summary of significant accounting policies & other explanatory info.

(iii) States that the FS & have been reviewed.

d) A description of the responsibility of mgt. for the preparation of the financial statements.

e) A description of the practitioner's responsibility to express a conclusion on the FS including reference to SRE 2400

f) A description of a review of FS and its limitations

g) A paragraph under the heading "Conclusion" that

contains :

- (i) The practitioner's conclusion on the FS as a whole as appropriate
- (ii) A reference to the AFRF used to prepare the FS

h) A reference to the practitioner's obligations under SRE to comply with relevant ethical requirements.

(i) The date of the practitioner's report

The practitioner shall date the report no earlier than he has obtained sufficient appropriate evidence as the basis for practitioner's conclusion on FS that

① All the statements that comprises FS under AFRF have been prepared.

② Those with the recognised authority have asserted that they have taken responsibility for those f.st.

j) The practitioner's signature

k) The place of signature

Q.10. What documentation the practitioner will do for review engagement?

① The practitioner shall document the following aspects of the eng. to understand

NTE of the procedures performed to comply with SRE 2400

Results obtained from the procedures and practitioner's conclusions formed on the basis of those results

Significant matters arising during the engagement, the practitioner's conclusions reached thereon and

significant professional judgements made in reaching those conclusions.

② While documenting the NTE of procedures the practitioner shall also record:

(a) who performed the work and the date on which such work was completed

(b) who reviewed the work performed for the purpose of quality control.

③ He shall also document the discussion with mgt. & TCWG

④ He shall also document how the inconsistency identified were addressed.

Q11. Distinguish b/w Audit vs Review.

Audit

- ① It is type of reasonable assurance
- ② It draws reasonable conclusions on the basis of SAAE
- ③ It provides an assurance opinion.
- ④ The language is positively worded.
- ⑤ It performs testing of controls & substantive procedures

Review

- ① It is type of limited assurance providing a lower level of assurance than reasonable assurance engagements.
- ② It draws limited conclusion on the basis of SAAE
- ③ It provides an assurance conclusion.
- ④ The language is negatively worded.
- ⑤ It performs inquiry and analytical procedures

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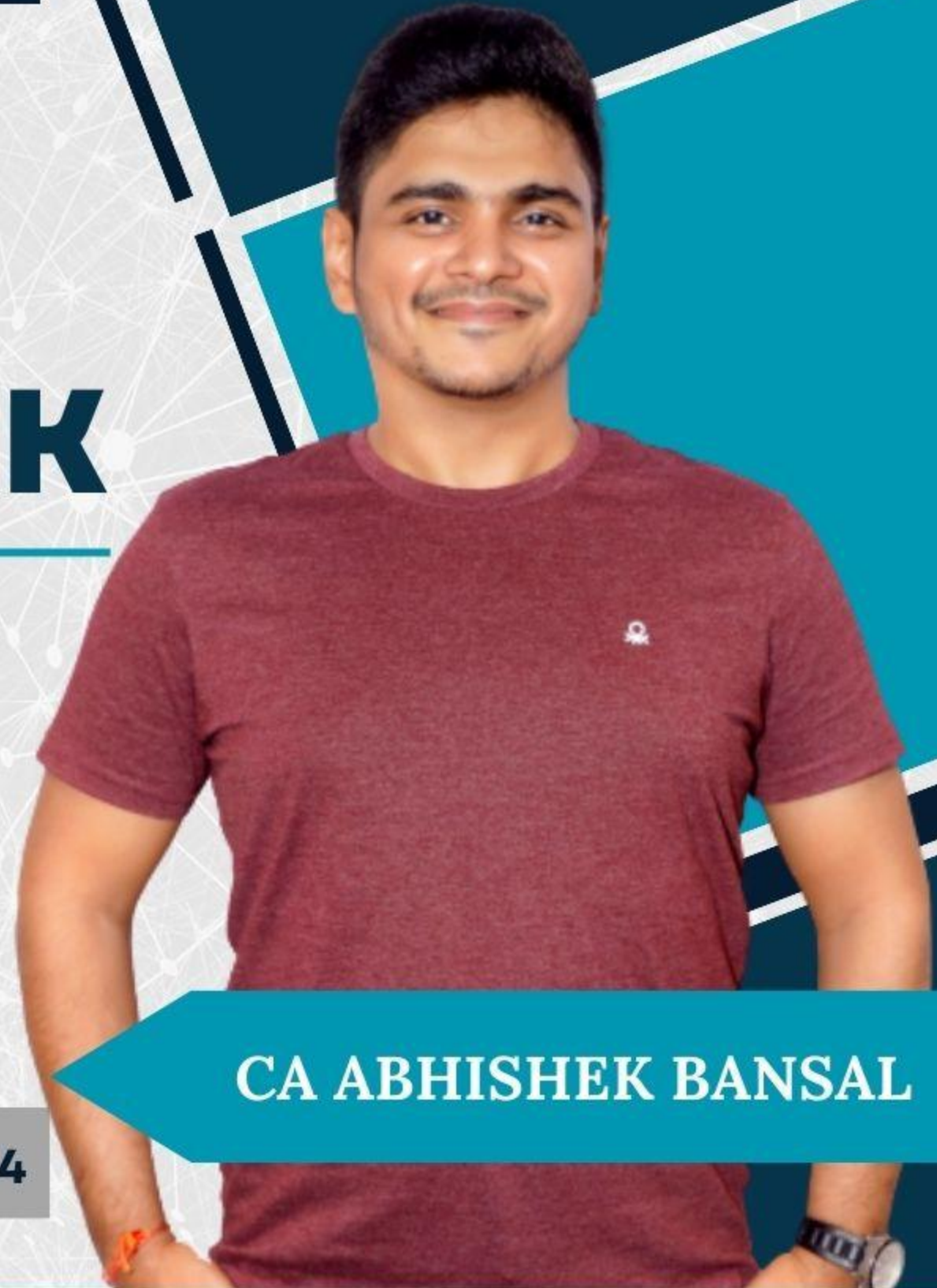
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SRE 2410 Review of Interim Financial info performed by the Independent Auditor of the entity.

Q1. What is Interim Financial Info?

Interim Financial Info (IFI) is prepared and presented as per AFRF that comprises of complete or condensed set of FS for a period that is shorter than the entities financial year.

for eg, FS of a quarter of a financial year.

SRE 2410 applies when review of IFI is performed by the independent auditor of the FS of the entity. i.e it will be conducted by the auditor of the Co.

Q2. What procedures would be performed by the auditor to update the understanding of the entity and its environment and its IC, as per SRE 2410?

- 1) Reading the documentation, of the preceding year's audit and reviews of prior interim period(s) of the current year and corresponding interim period(s) of the prior year.
- 2) Reading the most recent annual and comparable prior period interim financial info.

- ③ Considering materiality w.r.t. the AFRF as it relates to the IFI.
- ④ Considering significant financial accounting and reporting matters that may be of continuing significance such as material weaknesses in IC.
- ⑤ Considering the results of any audit procedures performed w.r.t. the current year's FS.
- ⑥ Considering the results of any ~~Audit~~ Internal audit procedures performed and the subsequent actions taken by the mgt.
- ⑦ Inquiry of mgt. about

results of management's assessment of risk that IFI may be materially misstated

effect of changes in entity business activities.

effect of changes in ICS

process by which IFI has been prepared & reliability of underlying A/cⁿ records to which IFI is reconciled.

Q3. What procedures would be performed by the auditor in case of review of IFR.

- ① Reading the minutes of the meetings of SH's, TCOG and other appropriate committees to identify matters that may affect the IFR
- ② Considering the effect, if any, of matters giving rise to a modification of the audit or review report.
- ③ Communicating, with other auditors who are performing a review of the IFR of the reporting entity's significant components.
- ④ Inquiring of members of mgt. about the following
 - a) whether IFR is prepared as per AFRF.
 - b) whether IFR contains any uncorrected misstatement
 - c) whether RPT have been appropriately accounted disclosed in IFR.
 - d) Significant changes in commitments and contractual obligations.
 - e) Significant changes in contingent liabilities including ~~of~~ litigation or claims.
 - f) Compliance with debt covenants.
 - g) Knowledge of any fraud or suspected fraud affecting the entity involving mgt, employees who

have significant roles in IC.

- h) Knowledge of any actual or possible non-compliance with laws and regulations that could have a material effect on the [FI]

Q4. What Management Representation does auditor will obtain in case review of [FI]

[Refer Q7 SRE 2400]

Q5. Procedures in case the mgt. has changed the assessment of entity ability to continue as GC?

① The auditor should inquire whether mgt has changed the assessment of entity ability to continue as GC.

② If he becomes aware of the events or condⁿ that cast doubt on entity's ability to continue as GC he should.

(a) Inquire of mgt. as to its plans for future actions based on its GC assessment, the feasibility of these plans, and whether mgt. believes that the outcome of these plans will improve the situation

(b) considers the adequacy of the disclosures about such matters in the IFI.

and

(a) Whether to modify the report.

(a)

(b) The possibility of withdrawing from the engagement

and

(c) The possibility of resigning from the appointment to audit the annual FS.

Q8. What are the contents of the report in case of review of IFR?

--- [TADPAS]

+ Refer Pg. 301 main book.

Read point 3.10 to 3.11 Pg 303 main book.

Q9. Audit Procedures in case of Review of IFR?

If material uncertainty relating to an event or condⁿ comes to the auditor's attention that may cast significant doubt on the entity's ability to continue as GC.

Adequate disclosure
is made in IFI

↓

Auditor modify
Review Report

+

Add EoM para.

Adequate disclosure
is not made in
IFI

↓

Auditor express
Qualified/Adverse
conclusion

+

to specify

reference to the
fact that there is
material uncertainty.