

Purpose of Applying Analytical procedures

Analytical procedures use comparison & relationships to assess whether A/c balance or Data appears reasonable

- ① If balances included in statement of P&L of an entity are compared with previous period, it would be possible to find out reasons for increase or decrease in amounts of profits of those years
- ② By setting up expense ratio on the basis of balances included in P&L, comparing them with the same ratios of previous year, it is possible to ascertain extent of increase or decrease in various items.
- ③ If differences are found to be material, auditor would ascertain reasons and assess whether A/c has been manipulated to inflate or suppress profits
- ④ It would be possible to identify existence of unusual trans. / amt.s / Ratios / Trends that might indicate matters having audit implications.