Group Audit [Audit of Consolidated F.S.] [5M]

CFS

① Co. → 1 or more Subsy, Associates or JVs (SAJV) → prepare CFS. ?

② Provision related to PAA [Preparation, Adoption & Audit] of Parent Co. FS shall apply mutatis mutandis (as it is) to CFS.

↓

③ Also be approved by BOD & laid in AGM. [Attach subsy FS details in AOC-1]

④ As per Sched III & A.S.

↓

⑤ If exempt from preparing CFS, comply with Sched. III.

Exemption from CFS

I. Ultimate Holding Co. OR Intermediary Holding Co. → CFS ③ ✓ → ROC as per AS.

Ultimate Holding Co.
↓
Intermediary Holding Co.
↓ 80%
Holding Co. (Exemption)
↓
Subsy

20% N.C.I [Non-Controlling Int]

① Informed in writing. ×CFS
+ proof of delivery ✓
+ Don't object.

② Public ×Listed / Process of listing.

II. Investment Entity [Eg. Mutual funds]

Measure investments ⇒ F.V.T.PL [Fair value through P&L]
× consol.

3 conditions:

(a) obtain funds
↓
for providing investment mgr services

→ (b) Returns
- capital appreciation
- invest. income (Dividends)
- Both.

↓

(c) Measuring performance on F.V. basis. [×cost]

H → CFS? Yes unless it's also an Investment Entity

↓

Investment Entity

Exemption from CFS (AS 21)

① **Temporary Control** [Ind AS 110 → No such exemption].

AS 21 → ~~CFS~~

10.2.25 — Baby Ltd. acquire 60% shares in Toy Ltd [intention → S.T.) AS 21 (Emotional)

31.3.25

5.6.25 — sold 30% stake

② **Severe Long Term Funds Trfr Restriction (LTFTR)** [Ind AS 110 → No Exemption]

Mukesh Ltd

↓ 75% stake

Anant Ltd. → losses → insolvency process. [control → Insolvency Professional + committee of creditors)

Dividend? [fund trfr] NO

AS 21 ~~CFS~~

Responsibility of Parent

P.P. of CFS

① Identify components & financial info.

② obtaining [complete & Accurate) financial info. from components.

③ making appt. consolidation adjusments.

④ GAAP conversion, where applicable

[CFS Ind AS.
Subsy AS ⟶ Ind AS]

⑤ Harmonisation of A/c policies

(Parent FS. FIFO
Subsy FS. weighted avg ✗ ↓ FIFO ✓]

1win 😊 ~~~ DDD

Auditor's objective in audit of CFS.

1. [R.A.] Satisfy that CFS. prepared as per AFRF.

2. Express opinion on true & fair view of CFS

3. Enquire on 143(1) matters. [143(1)] [ABCDEF]

4. Report on 143(3) matters. [143(3)]

5. validate requirements of preparing CFS as per AFRF.
[confirm → Exempt?]

1win ~~~ 😊

Materiality

Audit of SFS

For each component on standalone basis.

$S_1 \rightarrow$ xxx
$S_2 \rightarrow$ xxx
$S_3 \rightarrow$ xxx

Audit of CFS

Compute Group Materiality

① Assess appropriateness of consol. adjustments

② Determine material components
- Scope in additional comp.
- Use work of other auditors.

③ Compute materiality for each component & communicate to comp. auditor

④ Also, obtain confirmation for Independence, ethics etc.

Note: While considering observations [Modified opinion | EoM | OM Para] in comp. A/R, consider materiality as per SA 600.

Eg CFS Revenue ₹10,000 Cr.
Group materiality @ 5% 500 cr

Subsy A/R → modified opinion → M.M. ₹ 120 cr.

C.F.S. A/R modify? No [Immaterial].

Planning → N.T.E of A. Pro.
- R.A.P. → Understanding
- F.A.P. → [Risk assess → Respond] Testing
  - ToCs
  - Subs. Pro.

Planning Audit of CFS.

Understanding

① Group structure & group wide controls.

H. → S_1, S_2, S_3, A_1

② A/c policies of
- parent,
- component,
- consol. process.

③ N.T.E of [F.A.P] Audit Pro. based on assessed R.O.M.M.
+
④ Extent of use of other auditor's work.

⑤ Coordinating work to be performed.

Acquire 80% share for ₹ 1200 cr.

1.4.24 — 1.10.24 — 31.3.25

[Pre-acquisition Reserve)

Identifiable Net Assets. ₹ 1,000 cr

80% → Parent

20% → N.C.I

I.N.A.	800 cr	200 cr.
P.C.	1200 cr	
Goodwill	400 cr (Extra paid).	Permanent Consol. Adj.

S_1 Goodwill ₹ 800

S_2 Cap. Reserve ₹ 600

B.S.	
	₹
Goodwill. (Note)	200.

Notes

G/W	800	
(-) Cap Res	(600)	200

Sig. event / trans^n [component]

[Sale of division / major penalty)

31.12.24 — 31.3.25

component B.S. — CFS

GAP ?

AS ⟶ 6 months

Ind AS ⟶ 3 months.

Reporting

① Parent Auditor ↓ Auditor of components. ✓

② Parent Auditor & not auditor of components. & ✓

③ Parent FRF different from component ✓

④ Component not audited

⑤ Comp. audited under different auditing framework.

1. Parent auditor also auditor of components.

Report whether CFS prepared & presented as per AS. [AFRF]

↓ ×

For any departure / deviation, consider SA 705.

Express opinion whether CFS give true & fair view of
- State of affairs [B.S].
- consol. P&L
- consol. cash flows

of Group.

2. P.A. —Report→ consol. F.S.

Parent Co. F.S.
Subsy F.S

Subsy F.S → other auditor ① SA 600

↓

SH. Para hona?

② Refer other auditor work, in AR

↓ [SA 706 old Para]

Disclose "Magnitude" (₹) of portion of F.S. ↓ Audited by another Auditor

③ State agg. amt.

or

% age. of Total
- Assets.
- Revenue
- Cash flow.

④ ⇒ Before consol. adjustment.

⑤ Reference to other auditor's work → AR
- Qualified opinion ✗
- Indication of divided responsibility b/w P.A & O.A

III.

Indian Co. → CFS [Ind AS]

US Subsy. → F.S. [US GAAP] → GAAP Conversion

GAAP Conversion → Parent mgt. conversion → P.A. Audit the conversion adj.

or

GAAP Conversion → Component prepare F.S. [Ind AS] using G.A.M [Group Accounting Manual] → Local Auditor Audit [US] → P.A. will check group A/c policies

IV. Comp. not audited

Multi-location Group Audit

USA	Germany	MSSL, Noida
S_1	S_2	[Motherson Sumi Systems Ltd.]

S_2 → Audit? → E.Y India ✓ or Local auditor. ✓

Audit? → Audit ✗ → possible modification [SAAE ✗] → [Material ?]

Consider Qualitative & Quantitative factors as per SA705.

V. Audit of FS | CFS. → Indian GAAS. [Generally Accepted Auditing Std. in India]

Other auditor [Bahar] → Auditing framework should correspond [Similar] to Indian GAAS.

Disclosures → Not needed in CFS

① Shares issue [Bonus]

↓

② Unutilised money → forex pay.

- ③ Imports [RCC] → ⑥ R.M consumption (%) — Imported / Indigenous.
- ④ Foreign Exp. [Royalty, knowhow etc]
- ⑤ Dividend Remitted [N.R. shareholders]

DDD

Q14

H [Holding Co.] [SLM]

- R [Subsy.] [SLM → Component Based Depn] — AS 10 | Ind AS 16 ✓ — Modify opinion
- S [Subsy.] [WDV]

Eg Aircraft: 10y, 5y, 20y

* Method of depn → A/c Estn.