

## SA 800 “Special Considerations” to an Audit of F.S. Prepared in accordance with Special Purpose Framework (SPF)

### Scope of SA



- This SA is written in the context of **complete set of F.S.** prepared in accordance with a SPF.
- It does not override the requirements of the other SAs (only few additional requirements)
- It may **not deal with all special considerations** relevant in the circumstances of the engagement.

### Special Purpose Framework

- It is an FRF, which may be a FPF or CF
- designed to meet the financial information needs of **specific users**. (GPFRR= Wide range of user)

### Examples of special purpose frameworks

- **Creditors**:- Cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested
- **Regulator**:- Financial reporting provisions to meet the requirements their requirements; or
- **Contractor**:- Financial reporting provisions of a contract, such as a loan agreement or a project grant.

### Requirements of SA 800

### Considerations Before accepting the engagement

- Before accepting the engagement auditor is required to determine the acceptability of FRF (as per the requirement of SA 210). In an audit of special purpose F.S., the auditor shall obtain an understanding of:
  - (1) Intended user's financial information needs; (KEY FACTOR)
  - (2) Purpose for which the F.S. are prepared;
  - (3) Steps taken by management to determine acceptability of FRF. (only when mgt has choice of framework)
- In the case of Special Purpose F.S., the financial information needs of the intended users is a key factor in determining the acceptability of the FRF applied in the preparation of the F.S.
- FRF Presume it to be Acceptable-
  - 1.) If applicable FRF contains financial reporting standards established by an organization that is authorized to formulate standards for special purpose F.S. (SSB)
  - 2.) Some laws or regulations may prescribe the FRFs to be used by management in the preparation of special purpose P.S. for a certain type of entity (**Regulator**)
- Where the financial reporting standards as referred above are supplemented by regulatory requirements, SA 210 requires the auditor to determine whether any conflicts between the financial reporting standards (provided by SSB) and the additional requirements (provided by regulators) exist, and prescribes actions to be taken by the auditor if such conflicts exist.

- Applicable FRF may provide the financial reporting provisions of a **contract**. In that case, the acceptability of the FRF in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable FRFS as described in SA 210. (is a matter of professional judgment)

### Considerations when Planning and Performing an Audit

- In planning and performing an audit of special purpose F.S., auditor shall determine whether **application of the SAs** requires special consideration in the circumstances of the engagement. For example, in SA 320, judgments about matters that are material to users of the F.S. are based on a consideration of the common financial information needs of users as a group. In the case of an audit of special purpose F.S., however, those judgments are based on a consideration of the financial information needs of the intended users.
- While determining the application of SA, auditor is required to consider the **requirement of SA 200 on applicability of SAs**. SA 200 requires the auditor to comply with
  - (1) Relevant ethical requirements, and
  - (2) All SAs relevant to the audit.
- Auditor is required to comply with each requirement of an SA unless entire SA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist.
- In the case of special purpose F.S., such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. Existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with SA 320 for purposes of planning and performing the audit of the special purpose F.S.
- In the case of special purpose F.S., persons responsible for the oversight of its preparation may not be the same as TCWG responsible for the oversight of the preparation of general purpose F.S. In such cases, requirements of SA 260 may not be relevant to the audit of the special purpose F.S.

### Forming an Opinion and Reporting Considerations

When forming an opinion and reporting on special purpose financial statements, the auditor shall apply the requirements in SA 700.

#### Reporting Considerations

##### (a) Description of the Applicable Financial Reporting Framework

- SA 700 requires the auditor to evaluate whether the F.S. adequately refer to or describe the applicable FRF. In the case of F.S. prepared in accordance with the provisions of a contract, auditor shall evaluate whether the F.S. adequately describe any significant interpretations of the contract on which the F.S. are based.
- SA 700 deals with the form and content of the auditor's report. In the case of an auditor's report on special purpose F.S.:
  - (1) Auditor's report shall also describe the purpose for which the F.S. are prepared and the intended users; and
  - (2) If management has a choice of FRFs in the preparation of such F.S., the explanation of management's responsibility for the F.S. shall also make reference to its

responsibility for determining that the applicable FRF framework is acceptable in the circumstances.

**(b) Alerting Readers that the F.S. are Prepared in accordance with a Special Purpose Framework**

- Special purpose F.S. may be used for purposes other than those for which they were intended. (For example, a regulator may require certain entities to place the special purpose F.S. on public record).
- To avoid misunderstandings, auditor alerts users of the auditor's report that the F.S. are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.
- For this purpose, auditor's report shall include an EOM paragraph.

**(c) Restriction on Distribution or Use**

- Auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users.
- Depending on the law or regulation applicable, this may be achieved by restricting the distribution or use of the auditor's report.
- In these circumstances, the paragraph alerting the readers may be expanded to include these other matters, and the heading modified accordingly (apni marzi ki heading rakh sakte hai).

## SA 805 “Special Considerations – Audits of Single F.S. and Specific Elements of a F.S. “

### Single F.S./ Element of a F.S.

- The term element means an element, account or item of a F.S.
- A single financial statement (for example, a cash flow statement) or to a specific element of a financial statement (for example, trade receivables or cash and bank balances) includes the related notes.

### Examples of Specific Elements, Accounts or Items of a Financial Statement

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private pension plan, the recorded value of identified intangible assets, or the liability for “incurred but not reported (IBNR)” claims in an insurance portfolio, including related notes, A schedule of net tangible assets, including related notes, A schedule of disbursements in relation to lease property, including explanatory notes, A schedule of profit participation or employee bonuses, including explanatory notes.

Note- Full Financial statement= Complete set of Financial statement

### Scope of SA 805

- **SAs 100-700 series apply to audit of FS:** to be adopted as necessary in audit of other historical financial information.
- **SA 805 deals with special considerations in application of these SAS:** to Audit of single F.S. or Specific element/account/item of FS, prepared in accordance with General Purpose Framework (Only 805) or special Purpose Framework (800 & 805).

### Auditor’s Objective

Address appropriately the special considerations relevant to:

- Engagement acceptance.
- Engagement planning and performance.
- Forming opinion and reporting on F.S.

### Engagement Acceptance - Considerations

#### (a) Application of SA

- SA 200 requires the auditor to comply with
  - ✓ (a) relevant ethical requirements and
  - ✓ (b) all SAs relevant to the audit.
- Compliance with all SAs requirement applies to audit of Single F.S. or Specific Element of a F.S. Whether or not engaged to audit the complete set of F.S.
- If auditor is not also engaged in complete set of F.S., he shall determine the **practicability** of audit of Single F.S./Specific Element in accordance with SAS.
- Compliance with the requirements of SAs relevant to the audit of a Single F.S. or of a Specific element **may not be practicable** when the auditor is not also engaged to audit the entity’s complete set of F.S. Example:-

1. In such cases, auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's complete set of F.S. (315)
2. Auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's complete set of F.S. (500)
3. In case of an audit of a specific element, certain SAs require audit work that may be disproportionate to the element being audited. (570)

**For example**, although the requirements of SA 570 are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If auditor concludes that an audit of a single F.S. or of a specific element may not be practicable, auditor may discuss with management whether another type of engagement (4400) might be more practicable.

**(b) Acceptability Of FRF (Adequate disclosures & effect of material transactions)**

- ✓ SA 210 requires the auditor to determine acceptability of FRF applied in the preparation of the F.S. In the case of an audit of a Single F.S. or of a specific element of a F.S., this shall include determination of following:
  - Whether application of FRF will result in presentation that provides adequate disclosures to enable intended users to understand information conveyed in Single F.S. or element; and
  - Effect of material transactions and events on information conveyed in Single F.S. or element.
- ✓ A Single F.S. or a specific element may be prepared in accordance with an applicable FRF that is based on a FRF established by an authorised or recognised standards setting organisation for the preparation of a complete set of F.S.
- ✓ If this is the case, determination of acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based.

<b>Planning and Performance Considerations (IMP)</b>
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- In planning and performing the audit of a Single F.S. or of a specific element of a F.S., auditor shall adapt all SAs relevant to the audit as necessary in the circumstances.
- When auditing Single F.S. or a specific Element **in conjunction with complete set of F.S.**, audit evidence obtained as part of audit of complete F.S. may be useful.
- Individual F.S. that comprise a complete set of F.S., and many of the elements of those F.S., including their related notes, are **interrelated**. Hence, when auditing a Single F.S. or a Specific element, auditor may not be able to consider the F.S. or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.
- **Materiality** determined for a Single F.S. or for a specific element may be lower than materiality for complete F.S., this will affect NTE of audit procedures. (pehle jisko immaterial bolke jaane diya ab shayad uske liye opinion modify bhi karna padh sakta hai). GAJAB.

<b>Form of Opinion</b>
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- SA 210 requires that agreed terms of audit engagement include the expected form of report to be issued by auditor.
- Consider whether expected form of opinion is appropriate in the circumstances.
- The auditor's decision as to the expected form of opinion is a matter of professional judgment. It may be affected by whether use of the phrases "presents fairly, in all material respects", or "gives a true and fair view" the auditor's opinion on a single F.S. or on a specific element of a F.S. prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction. (700 mai cover kar liya)

**Factors that may affect the auditor's consideration as to whether to use the phrases "presents fairly, in all material respects", or "gives a true and fair view" in the auditor's opinion**

- Whether the applicable FRF is restricted to the preparation of a complete set of F.S.
- Whether the Single F.S. or the specific element of a F.S. will:
  - (1) Comply fully with each of those requirements of the framework (compliance framework="presented in all material respect in acc with framework" wali line aayegi)
  - (2) To achieve fair presentation
    - ✓ Provide disclosures beyond those specifically required by the framework or,
    - ✓ In exceptional circumstances, depart from a requirement of the framework.

**Forming an Opinion and Reporting Considerations (Separate Opinion) (Clearly Differentiated)**

- Apply SA 700 adapted, as necessary, in the circumstances of the engagement. (thankyou)
- If also engaged to report on complete F.S., express **separate opinion** on each engagement. (GAJAB)
- If audited Single F.S. published with entity's audited complete set of F.S., presentation of Single F.S. should be **clearly differentiated** from complete set of F.S. (Do not issue audit report on Single F.S. or Specific Element until satisfied with the differentiation).

**Modified Opinion / EOM Para / OM Para on Full FS (assume EOM & OM para= negative)**

- If opinion on an entity's complete set of F.S. is modified, (or audit report includes EOM paragraph or OM paragraph), auditor shall determine the effect that this may have on the auditor's report on a Single F.S. or on a Specific element.
- When deemed appropriate, auditor shall modify the opinion Single F.S. or on the Specific element, or include EOM paragraph or OM paragraph in the auditor's report, accordingly.
- If auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's complete set of F.S., SA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a Single F.S. or on a Specific element. This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's complete set of F.S.
- If auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's complete set of F.S. but, in the context of a separate audit of a Specific Element, auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:
  - (1) Not prohibited by Law and Regulation;
  - (2) Audit report on Specific Element is not published together with audit report on complete F.S; and
  - (3) Specific element does not constitute a major portion of entity's complete F.S.

**NOTE**

- In case modified opinion on complete set of F.S., EOM Para or OM Para does not relate to the audited Single F.S. or element, auditor may still deemed it appropriate to **refer to modification** in an **OM para** (EOM para ko refer karna ho toh bhi OM para me he karenge) in auditor's report on the Single F.S. or element because auditor judges it to be relevant to users understanding of the audited Single F.S. or element or related auditor's report. (users should be aware of the broader context of the company's financials).
- In auditor's report on complete set of F.S., disclaimer of opinion regarding results of operations and cash flows; and an unmodified opinion regarding the state of affairs is permitted since the disclaimer is being issued in respect of the results of operations and cash flows only and not in respect of the F.S. as a whole. (koi nayi baat nahi hai)

<b>NOTE</b>
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SA 800 and 805 do not override the requirements of the other SAs; nor do they purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

## SA 810 Special Consideration- “Engagements to Report on Summary Financial Statements (SFS)”

### Meaning Of Summary Financial Statements (SFS)

Historical financial information that is derived from F.S. but that contains less detail than the F.S., while still providing a structured representation consistent with that provided by the entity’s F.S.

Note- Complete set of Financial statement= Audited Financial statement

### Scope of SA 810

SA 810 deals with the auditor’s responsibilities when undertaking an engagement to report on SFS derived from financial statements audited in accordance with SAs **by that same auditor.**

### Form of Opinion (V V V V imp for understanding purpose)

**Unmodified Opinion shall be expressed on Summary F.S. if:**

- Summary F.S. are consistent, in all material respects, with audited F.S., in accordance with applied criteria, or
- Summary F.S. are a fair summary of audited F.S. in accordance with applied criteria.  
(Same to same!!) (Mutatis mutandis!!)

### ADDITIONAL CONSIDERATIONS (V V V V V imp, exam me que aayegaa)

#### (a) Qualified Opinion/EOM/OM Para in Report on Audited F.S.

When the auditor’s report on the audited F.S. contains a qualified opinion, EOM Para, or OM Para, but Auditor is satisfied that Summary F.S. are consistent in all material respects, with or are a fair summary of audited F.S. in accordance with applied criteria, auditor’s report on Summary F.S. shall also:

- State that auditor’s report on Audited F.S. contains qualified opinion/ EOM/OM para and **Describe:**
- Basis for qualified opinion on audited F.S., and that qualified opinion; or EOM/OM para; and
- Effect there of on Summary F.S., if any.

#### (b) Adverse Opinion/ Disclaimer of Opinion on Audited F.S.

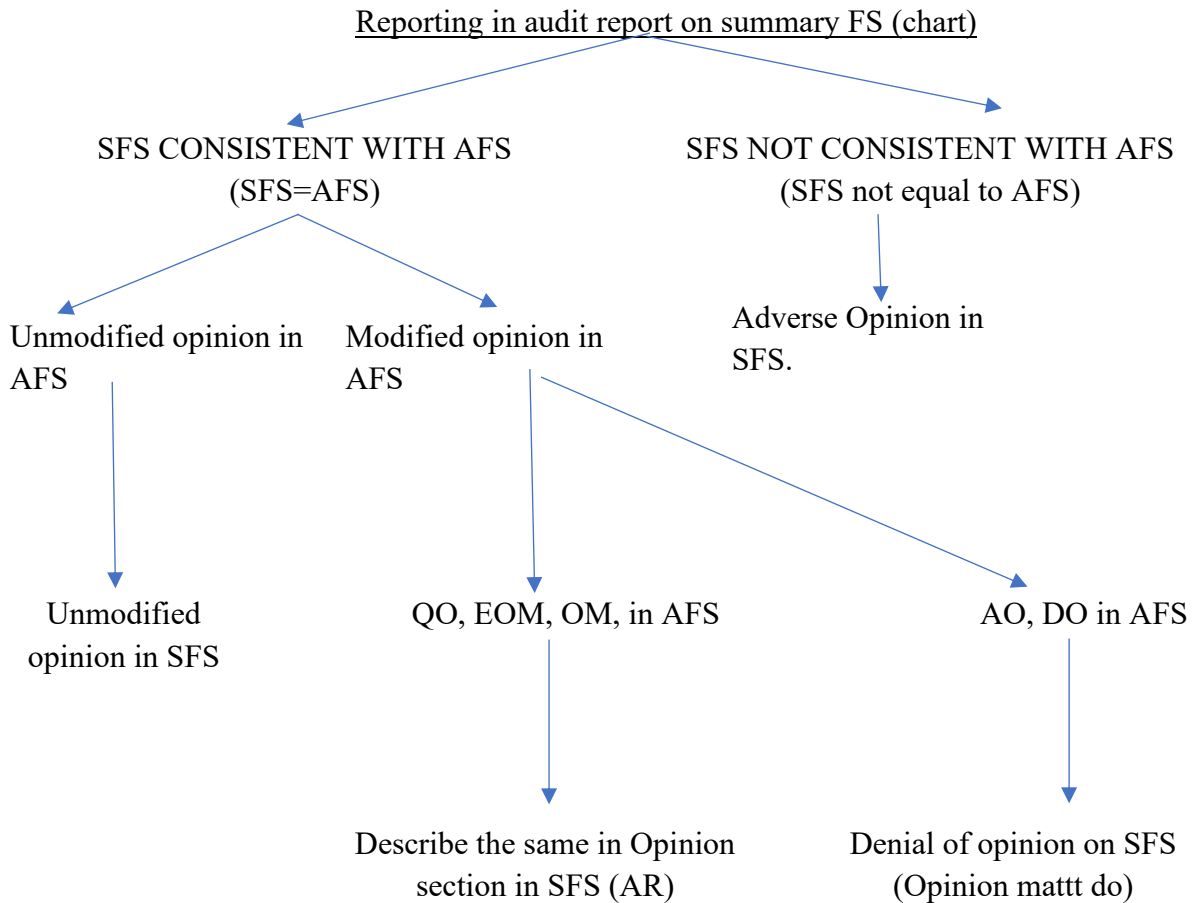
When the auditor’s report on the audited F.S. contains an adverse opinion or a disclaimer of opinion, the auditor’s report on the Summary F.S. shall, include the following:

- Statement that auditor’s report on audited F.S. contains adverse opinion or disclaimer of opinion;
- Description on basis of such opinion; and
- Statement that as a result of adverse opinion or disclaimer of opinion **it is inappropriate to express an opinion** on Summary F.S.

#### (c) Modified Opinion on Summary F.S.

**Express adverse opinion** if:

- Summary F.S. are not consistent in all material respects with or are not a fair summary of audited F.S. in accordance with applied criteria.



### Engagement Acceptance

- Accept the engagement **only when also engaged to audit, in accordance with SAs**, those F.S., from which these Summary F.S. have been derived.
- Before accepting Engagement, auditor shall:
  - (1) Determine whether the applied criteria are acceptable.
  - (2) Obtain the agreement of management that acknowledges and understands its responsibilities: (Bachpan ki yaadien)
    - (i) For the preparation of Summary F.S. in accordance with the applied criteria;
    - (ii) To make the audited FS available to the intended users of Summary F.S. without undue difficulty; and
    - (iii) To include the auditor's report on Summary F.S. in any document that contains the Summary F.S. and that indicates that the auditor has reported on them.
- Agree with management the form & content of opinion to be expressed on the Summary F.S.
- Do not accept engagement if: (time pass)
  - (1) Criteria are not acceptable; or
  - (2) Unable to obtain management agreement,
 Unless required by law (thankyouu)

### NOTE

- **Meaning of Applied criteria:** The criteria applied by Management in the preparation of Summary F.S. (FRF ka fancy name)

Criteria for the preparation of Summary F.S. may be established by an authorised or recognised standards setting organisation (SSO) or by law or regulation (L&R). Where established criteria do not exist, criteria may be developed by management (MGT), for example, based on practice in a particular industry. If the auditor concludes that the applied criteria are unacceptable, auditor shall not accept the engagement to report on the Summary F.S., unless required by law or regulation or criteria established by SSO to do so. (very simple)

▪ **Responsibility for Preparation of Summary F.S.:**

- ✓ Management is responsible for the determination of the information that needs to be reflected in the Summary F.S. so that they are consistent with or represent a fair summary of the audited F.S.
- ✓ Because in Summary F.S., there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances.
- ✓ This risk increases when established criteria for the preparation of Summary F.S. do not exist or not acceptable. (thankyou)

▪ **Factors affecting the auditor's determination of the acceptability of the applied criteria:**

- (1) Nature of the entity
- (2) Purpose of the Summary F.S.
- (3) Information needs of the intended users of the Summary F.S.; and
- (4) Whether the applied criteria will result in Summary F.S. that are not misleading in the circumstances.

▪ **Factors affecting auditor's evaluation whether the audited F.S. are available to the intended users without undue difficulty:**

- (1) Whether Summary F.S. describe clearly from whom or where the audited F.S. are available.
- (2) Whether the audited F.S. are on public record; or
- (3) Whether management has established a process by which the intended users of the Summary F.S. can obtain ready access to the audited F.S.

**Nature of Procedures**

**(a) EVALUATE:**

- (1) Whether Summary F.S. adequately disclose their summarized nature; and
- (2) Whether Summary F.S. adequately disclose the applied criteria.
- (3) Whether Summary F.S. are prepared in accordance with applied criteria,
- (4) Whether Summary F.S. contain necessary information and are appropriately aggregated so as not to be misleading.
- (5) Whether audited F.S. are available to intended users without undue difficulty.

**(b) COMPARE:**

Summary F.S. with related information in audited F.S. to determine whether Summary F.S. agree with or can be re-calculated from related information in audited F.S.

**Auditor's Report On Summary F.S.**

Elements of the Auditor's Report:

**(a) Title**

Clearly indicating it as the report of an independent auditor.

**(b) Addressee**

If addressee of Summary F.S. is not the same as the addressee of the auditor's report on audited F.S., evaluate the appropriateness of using a different addressee.

**Factors affecting auditor's evaluation of appropriateness of the addressee:**

- Terms of the engagement
- Nature of the entity
- Purpose of Summary F.S.

**(c) Introductory Paragraph**

- Identifies Summary F.S. on which the auditor is reporting, including the title of each statement included in Summary F.S.;
- Identifies the audited F.S.;
- Refers to the auditor's report on the audited F.S., the date of that report, and, subject to other requirements of this SA, the fact that an unmodified opinion is expressed on the audited F.S.;
- If the date of the auditor's report on Summary F.S. is later than the date of the auditor's report on the audited F.S., states that Summary F.S. and audited F.S. do not reflect the effects of events that occurred subsequent to date of the auditor's report on the audited F.S.; and
- A statement indicating that Summary F.S. do not contain all the disclosures required by FRF applied in the preparation of audited F.S., and that reading Summary F.S. is not a substitute for reading the audited F.S.

**(d) Management's responsibility para**

Explaining that management is responsible for the preparation of the summary financial statements in accordance with the applied criteria.

**(e) Auditor responsibility statement**

A statement that the auditor is responsible for expressing an opinion on the summary financial statements based on the procedures required by this SA.

**(f) Auditor Opinion**

A paragraph clearly expressing an opinion.

**(g) Auditor's signature**

Along with the firm registration number, wherever applicable, and the membership number assigned by the ICAI. Besides, UDIN is required to be stated.

**(h) Date of Auditor's Report**

The auditor shall date the auditor's report on the Summary F.S. no earlier than date of the auditor's report on the audited F.S.

**(i) Place Of Signature**

City

**Restriction on Distribution/Use**

When distribution or use of the auditor's report on the audited F.S. is restricted, or the auditor's report on the audited F.S. alerts readers that the audited F.S. are prepared in accordance with a special purpose framework (ONLY), auditor shall include a similar restriction or alert in the auditor's report on Summary F.S.

**Comparatives (SA 710)**

- If audited F.S. contain comparatives, but Summary F.S. do not, determine whether such omission is reasonable in the circumstances of the engagement.

- Determine the effect of unreasonable omission on the auditor's report on Summary F.S.

#### Unaudited **Supplementary** Info Presented With Summary F.S. (SA 700)

- Evaluate whether such information is clearly differentiated from Summary F.S.
- If entity's presentation of such information is not clearly differentiated from Summary F.S., the auditor shall ask management to change the presentation of such information.
- If management refuses to do so, the auditor to explain in auditor's report on Summary F.S. that such information is not covered by that report.

#### **Other Information** in Documents Containing Summary F.S. (read oi, MI b/w- OI & Summary FS)

- Auditor shall read the other information included in a document containing the Summary F.S. and related Auditor's Report to consider whether there is a material inconsistency between the other information and the Summary F.S.
- If auditor identifies a material inconsistency, he shall determine whether Summary F.S. or the other information needs to be revised.
- If auditor becomes aware that the other information needs to be revised, he shall discuss the matter with management.

#### **Auditor Association**

If auditor becomes aware that entity plans to state that auditor has reported on Summary F.S. in a document containing Summary F.S., but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. If management does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the Summary F.S. in that document.

#### **Auditor engaged to report on F.S. while **not engaged to report on Summary F.S.****

- The auditor may be engaged to report on the F.S. of an entity, while not engaged to report on the Summary F.S. If, in this case, auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that Summary F.S. are derived from the F.S. audited by the auditor, auditor shall be satisfied that:
  - (1) Reference to the auditor is made ONLY in the context of the auditor's report on the audited F.S.; and
  - (2) Statement does not give the impression that the auditor has reported on the Summary F.S.
- If (a) or (b) are not met, auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, entity may engage the auditor to report on the Summary F.S. and include the related auditor's report in the document.
- If management does not change the statement, delete the reference to the auditor, or include an auditor's report on the Summary F.S. in the document containing the Summary F.S., auditor shall advise management that he disagrees with the reference to the auditor, and he shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor.

#### **Timing of Work and Subsequent Events (GAJAB)**

- When the auditor reports on the Summary F.S. after the completion of the audit of the F.S., he is not required to obtain additional audit evidence on the audited F.S., or report on the effects of events that occurred subsequent to the date of the auditor's report on the audited F.S. since the Summary F.S. are derived from the audited F.S.

- Auditor's report on Summary F.S. should state that the Summary F.S. and the audited F.S. do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited F.S.