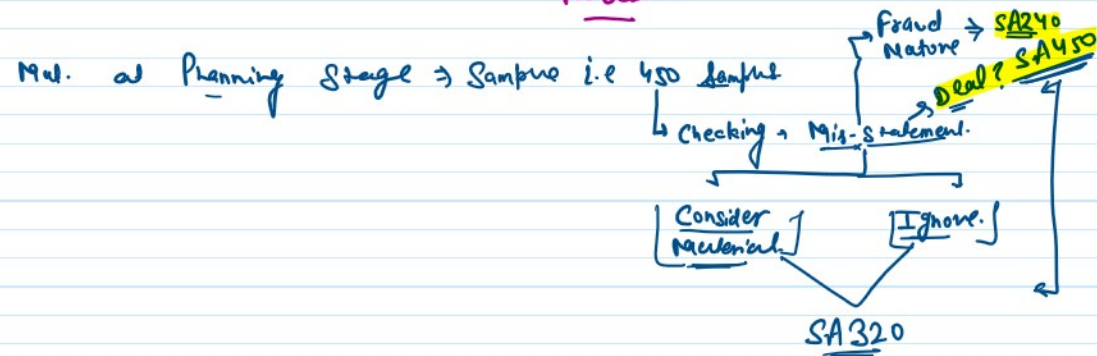
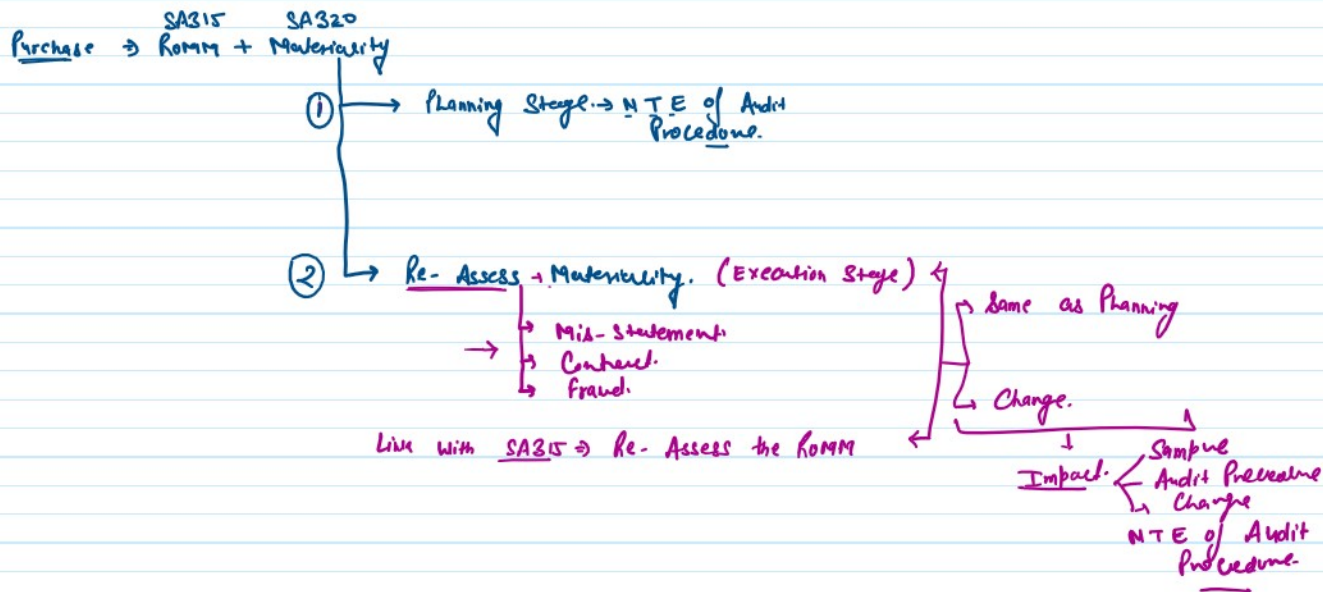


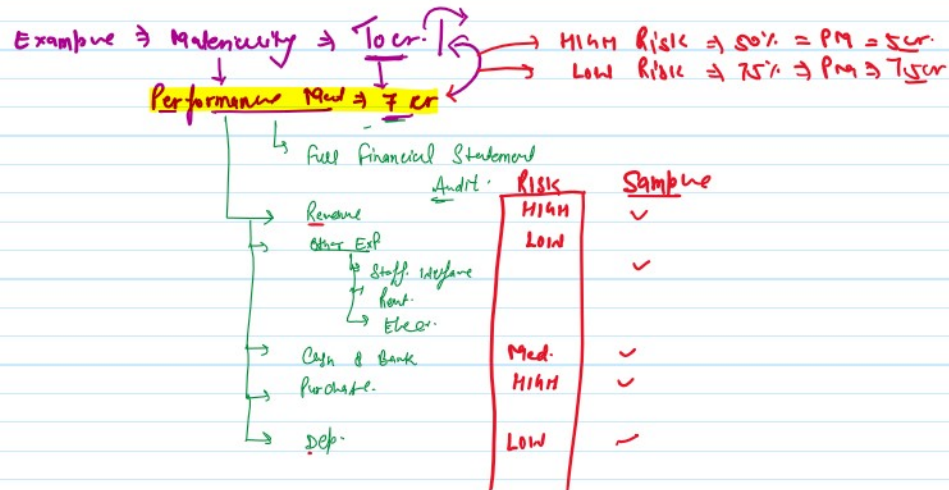
SA 320 Class Notes



SpP No. 1 → Materiality? Number

Financial Statement	Y.	Y.	mat. at ①
Rev. 100 cr.	1%	1%	<input type="checkbox"/> f.s. level.
Pur.			<input type="checkbox"/> ↳ Materiality
F.A			<input type="checkbox"/>
Dr.			<input type="checkbox"/>
Capital			<input type="checkbox"/>
Profit 10 cr	10%		<input type="checkbox"/>

② Assertion Level (Account level) ⇒ Materiality × 75% ⇒
 ↳ Performance Materiality.



Step	Select Significant Account	(PM = 7.5 cr)	Materiality Basis	Risk Basis
	Rev	50 cr	✓	
	Purchase	35 cr	✓	
	Cash & Bank	2 cr	X	✓
	Other Exp			
	↳ Rent	12 cr	✓	
	↳ Elec.	4 cr	X	
	↳ Staff Welfare	2.5 cr	X	X
	↳ Legal Exp	1 cr	X	✓
	Share Capital	10 cr	✓	
	Loans & Adv.	35 cr	✓	
	Borrowing	7 cr	✓	

After checking ⇒ With Statement SA 320 ⇒ Materiality?

↳ Third Materiality ⇒ AMPT ⇒ 30% of Materiality.
 Threshold Limit

Mat ⇒ 10 cr | PM = 7.5 cr
 Threshold / AMPT = 10 cr × 30% ⇒ 3.0 cr / 0.50 cr
 Ignore

Example ⇒ Checking Revenue.

Threshold Amt = $100 \times 5\% \Rightarrow 50 \text{ Lac.} / 0.50 \text{ cr}$

Ignore

Example \Rightarrow Checking Revenue.

Auditor Identified Mis-Statement $\Rightarrow 10 \text{ Lac.}$

\hookrightarrow Identify Reason

① Conclusion \Rightarrow Difference is below threshold limit, hence Ignored.

② Net net fraud + Agg. $> 50 \text{ Lac.}$

③ Mis-Statement $\Rightarrow 2 \text{ cr.}$

Trn.	Amt.	Correct	Un-Corrected
1	30	✓	
2	30	✓	
3	50		X
4	90		X

Work-Paper for Un-Corrected Mis-Statement.

Summary of Audit Differences

