

SA 700: forming an Opinion & Reporting on FS.

• Deals with **form** & **content** of A/R.

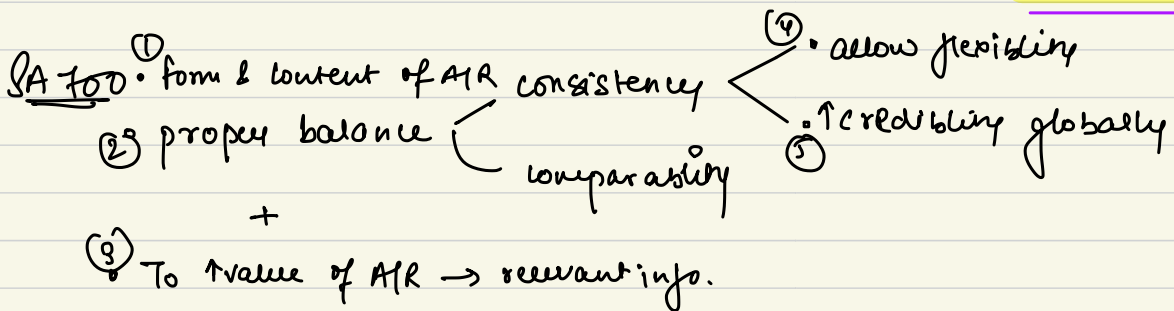
• Helps in proper balance b/w **Consistency** & **comparability** of A/Rs globally.

• Also need to **increase value** of A/R, by providing **relevant info.** to users.

• This SA **promotes consistency** but recognised **need for flexibility**, to include **circumstances** of **individual jurisdictions**.

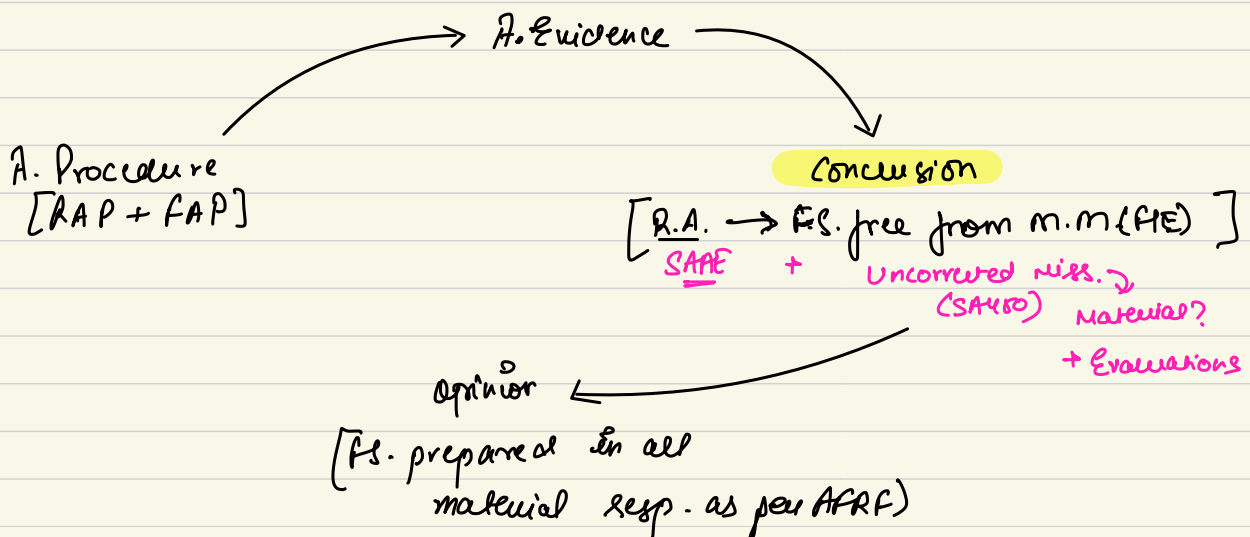
• **Consistency** in A/R, promotes **credibility** in global market.

• Also promotes **user understanding** & helps to **identify unusual circumstances**.



⑥ (KAM) • identify unusual circumstances

Let's Revise! Audit cycle



# Q1 "Factors" to reach audit conclusion?

## Factors to form opinion

SAS 100  
ISA 110  
CAS 110

- Form **opinion**, whether f.s. are prepared in all material respects as per AFRF.
- To form opinion, **conclude** whether R.A obtained that f.s. are free from m.m due to fraud/error.

To form conclusion, auditor shall consider:

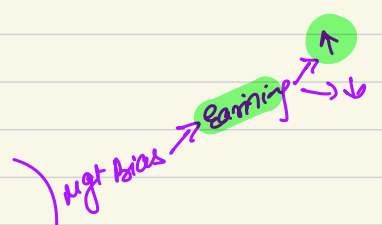
- RA a) whether **SATF** obtained as per SA 330. [F.A.P]
- f.s. m.m** b) whether **uncorrected miss.** are material as per SA 450.
- c) The **Evaluations** required:
  - whether fs prepared as per AFRF.
  - consider **Qualitative aspects** of **atc practices**, including possibility of **mgt bias**.

## Q2 Qualitative Aspects (Q.A.) of Atc practices? (Atc PIE 10)

- a) Mgt. makes no. of **judgments** in fs. (good/bad)
- b) SA 260 contains discussion of Q.A. of Atc practices.
- c) Auditor may become aware of **possible bias** in mgt judgment.
  - may conclude that **cumulative effect of (lack of neutrality with uncorrected miss.)**  
**bias** + **SA 450**  
can lead to m.m in fs.

## Indicators of lack of Neutrality

- 1) **selective correction** of miss.  
by correcting miss. → have effect of **increasing earnings**.  
But not correcting miss. → have effect of **decreasing earnings**



ii) possible mgt bias in making AIC estimates.

eg lower provisions to report higher profits.

d) SAS 10 addresses possible mgt bias in making AIC est.

o Indicators of mgt bias doesn't mean individual AIC estimates are mistaken.

[eg fair value of investment in shares of listed co.

based on stock ex price → mistaken? No]

o However, it may affect evaluation whether FS free from mm.   
 possibility

20/11

Q3) Specific Evaluations by Auditor (Qualitative Practices) [SM]

o AIC policies

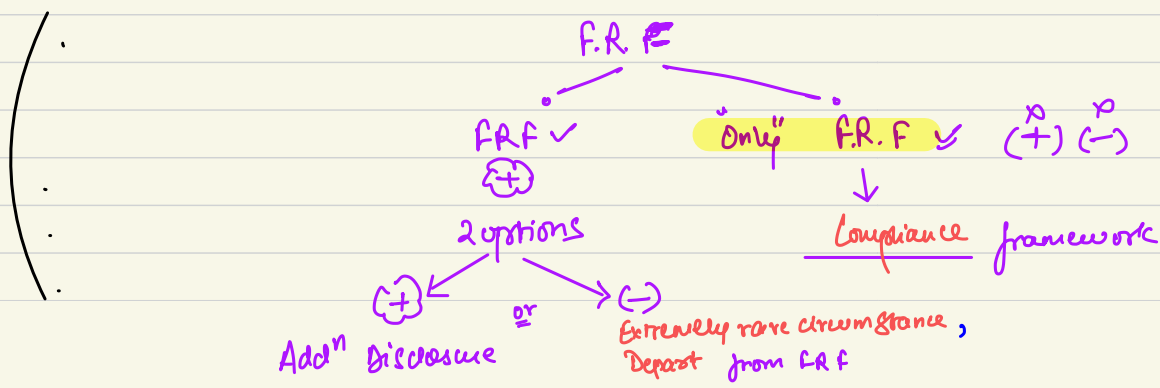
- 1) F.S. adequately disclose AIC policies } selected & Applied
- 2) AIC policies } are consistent with AIC & appropriate.

3) AIC Estimates made by mgt are reasonable.

4) F.S. provide adequate Disclosures

5) Info. presented is CUR (Comparable, Understandable, Relevant, Reliable)

6) Terminology used is appropriate.   
 eg. ~~fixed assets~~   
 P.P.E



↓  
Fair Presentation Framework (FPF)

- If F.S. as per F.P.F then evaluate:
  - a) Overall Presentation Structure & Content of FS. (OPSC)
  - b) Whether FS including notes, achieve fair presentation.

Ans 9) Opinion

- We have audited FS of Ringston Intl. which includes B.S. as at 31.3.24 & P&L & Notes including summary of sig. ac policies
- In our opinion & best of info & expl<sup>n</sup> given to us, FS. give true & fair view in conformity with Ac std. generally accepted in India, of state of affairs & P&L for year ending on that date.

Ans 12 Basis for opinion

- We conducted our audit as per SA specified up to 143(10)
- Our resp. under SAS further described in "Auditor's Resp. for Audit of FS" Section of AIR.
- We are Independent of entity as per Code of Ethics of ICAI & fulfilled ethical resp.
- We believe evidence obtained is sufficient & appropriate to provide basis for opinion.

Sec 134(5) B.O.D. Reqs.

→ A/c P<sub>0</sub>RES • Policy

- Oversight F.R.P
- Records.
- Estimates
- Stals

→ Cs • If C [adequate + op. effectiveness]

- G [Assess + follow]