

AUDIT MNEMONICS

Standards on Auditing

SA – 200 Overall Objectives of the Independent Auditor

1. Inherent Limitation of Audit – “TEJI”

T – Test Checking

E – Evidences are Persuasive not Conclusive

J – Judgment

I – Internal Control (This Point is not being considered now)

2. Responsibilities of Auditors as per SA-200

“Ethics ke Anusar **Skepticism** Rakhega, **Judgment** Se **Risk** Kam Karega and **SA** ko toh Jarur Manega”

Ethical Requirements - IOPCC

I – Independency

O – Objectivity

P – Professional Behavior

C – Competence and Due Care

C – Confidentiality

Conduct of SA in accordance with SAs – “FORC”

F – Failure to achieve an Objective in Relevant SAs

O – Objective Stated in Individual SA

R – Requirement of SA

C – Complying with SAs

SA – 210 Agreeing the Term of Engagement

1. Precondition for an Audit – “A PIC”

A – Acceptable FRF

P – Preparation of F.St as per FRF

I – Internal Control should be developed and Operating Effectively

C – Co – Operation (Acess to All Information, Additional Information and Unrestricted Access)

2. Audit Engagment Term – “ORSFL”

O – Objective of the Audit

R – Responsibility of Management and Auditor

S – Scape of Audit

F – Form and Content of Audit Report and Identification of FRF

L – Law and Regulations Prescribed Terms

SA – 220 Quality Control for an Audit of Financial Statements

“LE AE HUM”

L – Leadership

E – Ethcial Requirement (IOPCC)

A – Acceptance and Continuce of Audit

E – Engagment Performance*

H – Human Resource

M – Monitoring

*** Points to be considered in Engagment Performnce – “CDEF”**

C – Consultation with Expert

D – Diffrence of Opinion and Documentation

E – Engagment Quality Control Review

F – Fling

SA – 260 Communication with TCWG

Matter should be Communicated in Writing – “IFRS”

- I – Independence
- F – Findings
- R – Responsibility
- S – Scope of Audit

SA – 299 Responsibility of Joint Auditor

Joint and Several Responsibility of All the Joint Auditors – “BADRI DON”

- B – Matter **brought** to the Notice of all by any one of them and on which all are agree
- A – Assure that other auditors have performed their work in compliance with Law
- D – Disclosure Requirement in F.St.
- R – Report Complies with Standards
- I – Internal Control Related to their allocated work
- D – Un-Divided Work
- O – Obtaining and Evaluating Information from Management
- N – NTE of Audit Procedures collectively decided

SA – 315 Identifying and Assessing the Risk of Material Misstatement through understanding the entity and its Environment

1. Understanding the entity and its Environment – “NRI FAB”

- N – Nature of Entity
- R – Regulations
- I – Industry

- F – Financial Performance
- A – Accounting Policies
- B - Business Risk

2. Understanding of Internal Control – “MICRA”

- M – Monitoring
- I – Information System
- C – Control Environment
- R – Risk Assessment
- A – Control **Activities**

SA – 500 Audit Evidences

1. Procedure for Obtaining Sufficient and Appropriate Audit Evidences – “ICAI OR”

- I – Inspection
- C – Re-**Calculation**
- A – Analytical Procedure
- I – Inspection
- O – Observation
- R - Reperformance

2. When Information to be used as Audit Evidence has been prepared using the work of Management’s Expert, the auditor shall check whether Expert is” CWA” or not:

- C – Competence, Capabilities and Objectivity of the Expert
- W – Work of the Expert Understand
- A – Appropriateness of that expert’s work

SA – 505 External Confirmations

1. External Confirmation Procedure – “DSDS”

- D – Determine the Information to be Confirmed**
- S – Selection of Appropriate Party**
- D – Designing of Confirmation**
- S – Sending including Follow up**

SA-520 Analytical Procedure

1. When using Analytical Procedure, Auditor Shall Consider the Following:

“SAP ki **Suitability** and **Reliability** Ki **Expectation** Mein **Difference** ka Dhyan Rakhega”

SA – 600 Using the Work of Another Auditor

1. Principal Auditor should advice the another auditor that “U R A Timely Person”

- U – Use to be made of his report**
- R – Reporting Requirement**
- A – Areas requiring special considerations**
- Timely Person – Time Table for completion of Audit**

SA – 610 Using the work of Internal Auditor

1. External Auditor shall determine:

a) Whether to use the work of Internal Auditor – “OPCC”

- O – Objectivity
- P – Professional Competence and Capability
- C – Professional **Care**
- C – Communication between Internal and External Auditor

b) NTE of procedure performed by External Auditor – “NRI”

- N – NTE of work of Internal Auditor
- R – Risk of Material Misstatement
- I – Internal Auditor’s Subjectivity

SA – 620 using the work of Auditor’s Expert

1. Determining Adequacy of work of Auditor’s Expert – “CFA”

- C - Competence and Capability
- F – Field of Expertise of Auditor’s Expert
- A – Agreement with Expert and Evaluate Adequacy*

* Evaluate Adequacy – “ASK”

- A – Assumptions used by Expert
- S – Sources of Information
- K – Knowledge use by Auditor (Reasonableness and Consistency with other Evidences)

SA – 700 Forming an Opinion and Reporting on Financial Statements

1. Format of Auditor’s Report – “TAI RO DPS”

T – Title

A – Addresses

I – Introductory Paragraph

R – Responsibility of Management and that of Auditor*

O – Opinion

D – Date

P – Place

S – Signature

***Responsibility of Auditor – “O SIR JEEE”**

O – Opinion

S – Standards on Auditing Compliance

I – Internal Control

R – Reasonable Assurance

J – Judgment

E – Evidences (Sufficient and Appropriate)

E – Ethics (IOPCC)

E – Evaluate: Accounting Policy, Estimate and Overall Presentation

SA – 800 Special Considerations – Audit of Financial Statements prepared in Accordance with Special Purpose Framework

1. Consideration when Planning and Performing the Audit – “ Class Code SST”

C – Contract Understanding

C – Communication with TCWG?

S – Standards on Audit Comply

S – Special Consideration (Judgment should be based on the need of the user)

T – Threshold Limit and Materiality

Professional Ethics (PE):

1. First Schedule:

Part I - Professional Misconduct CA in Practice (12 Clauses)

“Practice ka Paisa Pay ya Receive kewal Partnership Firm mein hi karna. Kaam Secure karne ke liye Solicit ya Advertise mat karna. Purane ko Communicate bhi karna aur Company's Act ke compliance ka dhyan bhi rakhna. Percentage (%) fees leke Another Business mein Sign na Kare”

Part II - Professional Misconduct CA in Service (2 Clauses)

“Pay ya Receive mat karna”

Part III - Professional Misconduct CA in General (3 Clauses)

“FCA dikha kar Non-Submission karna ya False bolna galat hain”

Part IV - Professional Misconduct CA in General

“Disrepute or Punishable with imprisonment for a term not exceeding 6 months”

2. Second Schedule:

Part I - Professional Misconduct CA in Practice (10 Clauses)

“Information Disclosed kiye bina Report naa de. Estimate mein Substantial Interest na and Finance Minister Gee Keeps their Money IN Separate Bank Account”

F – Fact

M – Misstatement

G – Grossly Negligence

I – Insufficient audit Evidences

N – No Disclosure in Audit Report

Separate Bank A/c

Part II - Professional Misconduct CA in General (4 Clauses)

“Regulation todkar Disclosure by Employee galat hain. ICAI ko jhuthi bat bolkar Money Defalcate naa kare”

Chapter 3 - Auditing in CIS

1. Internal Control in IT/EDP/CIS Environments

a) General Control – “DOSA”

D – Data Entry

O – Organization and Management Control

S – Software (System and Application)

A – Authorized Operations

b) Application Control – “IPO”

I – Input

P – Processing

O – Output

2. Consideration in use of CAAT’s – “CAAT Impracticable”

C – Computer Knowledge

A – Availability of CAAT

A – Amount (Cost and Efficiency)

T – Timing

Impracticable - Impracticability of Manual Test

3. Requirement of Computer Audit Program System:

“RSVP padhkar AASU aa gaye”

R – Report Writing

S – Simplicity

V – Vendor Technical Support

P – Processing Capabilities

A – Acceptability

A – Adaptability

S – Statically Sampling Capability

U – Understandability

4. Access Control in CIS Environment – “ACCESS”

A – Access to the computer facility should be limited

- C – Call Back
- C – Computer Application Control
- E – Encryption
- S – Software and Hardware Access
- S – Segregation Controls

5. Nature of Risk and Internal Control Characteristics in CIS Environment:

“Transaction Trail and Segregation is not available, Uniform Processing and Error may happen, Automatic Transaction and Other Control are present and Management Supervision and CAAT is required”

Chapter – 4 Companies Auditor’s Report Order, 2016

1. Flipkart – Fixed Assets
2. Indian Airlines - Inventory
3. LinkedIn – Loans u/s 189
4. Live.com – Loans u/s 185 & 186
5. Dropbox - Deposit
6. CNN – Cost Record
7. SBI – Statutory Dues
8. LIC – Loans Repayment
9. Infosys – IPO/FPO Fund
10. Finolex - Fraud
11. Micromax – Managerial Remuneration
12. Network18 - Nidhi Company
13. Resin – Related Party
14. Pineapple – Private Placement
15. Nuts – Non Cash Transaction
16. Carrot – Certificate from RBI

Chapter – 5 Investigation

Coverage of Financial Due – Diligence – “FCA has done Due Diligence of HP through LTP”

F – Financial

C – Cash Flow

A – Accounting Policies

H – History

P – Projection

L – Legal

T – Taxation

P – Personnel

Chapter – 6 Audit of Co – Operative Society

Special Consideration by Auditor – “Co – Operative”

C – Co-operative Principles

O – Overdue Principal

O – Overdue Interest

P – Profit Distribution

E – Evaluation and Certification of Bad debts

R – Report (Special and Schedule)

A – Award of Class

T – The Act and Laws

I – Initially Draft report to be discussed with Mgt

V – Verification of Assets and Liabilities

E – Examination of Passbook of Member

Chapter – 7 Special Aspects

Aspects to be Covered in Environment Audit – “ENVIRONMENT”

E – Environment Safety

N – No Wastage (Management of Resources)

V – Very Hygienic

I – Information and Safety

O – Occupational Health

N – No Damage to Society

M – Medical Facility

E – EIA (Suggestion)

N – No Pollution

T – Total Layout

Chapter – 8 NBFC

Auditor’s Report in case of NBFC – Accepting or Holding Deposits: “CDR”

C – Compliances (CLB Prudential Norms)*

D – Deposits (DICE)**

R – Return (PD)***

***CLB Prudential Norms:**

C – Capital Adequacy Ratio (CAR)

A – Asset in Liquid Form

B – Branches

P – Prudential Norms

**** DICE:**

D – Default

I - In Limits

C – Credit Rating

E – Excess Public Deposit

***** PD:**

P – Prudential Norms

D – Deposit

Chapter – 9 Audit of GIC

Contents of Management Report – “SIR QR CODE scanned”

S – Solvency, Statutory Dues and Shareholding Pattern

I – Investment outside India and Investment Valuation

R – Registration Validity

Q – Quality of Asset and Portfolio

R – Responsibility Statement

C – Claim Ageing

O – Operations in Other Country

D – Directory Interested Party Payment

E – Exposure of Overall Risk

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Message from Author:

Success does not lie in "Result" but in "Efforts"

Success For Sure