SA-501 AUDIT EVIDENCE – Specific Considerations for Selected Items.

AUDITOR's OBJECTIVE

To obtain Sufficient & Appropriate Audit Evidence

INVENTORY (when it is MATERIAL)

→ A.E. regarding Existence & Condition of Inventory

a.) Attend physical Inventory Counting to:-
- Mgt's Instructions & procedures for recording & controlling Results of Entity's physical I. Counting
- Observe Entity's procedures
- Inspect Inventory
- Perform Test Counts (Sampling)

b.) Performing A. procedures over Entity's final Inventory records to check whether Accurately recorded.

Procedures in Special Circumstances

Conducted at date other than B/S date
⇓
Whether changes in Inventory b/w Count date & date of F.S. properly Recorded

Unable to attend
⇓
- Alternate date & perform A.P. on Intervening trans.
- Verify procedures for Discrepancies
- Cut off procedures
- WR on A&C

Impracticable
⇓
- Alternate A.P. (Inspection of documentation of subsequent sales)
- If Not possible to perform
↓
Modify opinion in his Report as per SA 705

Under Custody & Control of Third Party
→ Request Confirmation from Third party
→ Perform Inspection/other A.P.
⇓
If doubt on Integrity / Objectivity of Third Party; perform following:-
- Another Auditor
- Service Auditor's Report
- Inspect documentation (warehouse Receipts)
- Pleged as Collateral → obtain Confirmation

Litigation & Claims

↳ Regarding Completeness.

Procedures:- WR + IRR
- Inquiry
- Review → Minutes
- Review → Legal Exp. A/c

Procedures in Special Circumstances

1) Auditor's Assessment of ROMM w.r.t Existence of L & C
- Communicate directly with Entity's External Legal Counsel
- If PROHIBITED by law ⇒ perform Alternate A.P.

2) Mgt. Refuses for Communication
3) External Legal Counsel Refuses
4) Auditor Unable to collect SAAE from Alt. A.procedures.

→ Modify Opinion in accordance with SA 705

Segment Information

↳ Regarding Presentation & Disclosures in accordance with FRF.
⇓
- Obtain SAAE.
- Obtain Understanding of Methods used by mgt.
  ↓
  → Are these methods likely to result in Disclosure in accordance with applicable FRF.
  → Test application of such methods.
- Perform Analytical procedures / A.P. appropriate in the Circumstances.