

## **Exposure Drafts**

- 1. SA 800(Revised), Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks**
- 2. SA 805(Revised), Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement**
- 3. SA 810(Revised), Engagements to Report on Summary Financial Statements**

**(Last date for comments: August 25, 2018)**



Issued by  
**Auditing and Assurance Standards Board**  
**The Institute of Chartered Accountants of India**  
*(Set up by an Act of Parliament)*  
New Delhi

Your comments on these Exposure Drafts should reach us by **August 25, 2018**. Comments are most helpful if they indicate the specific paragraph(s) to which they relate, contain a clear rationale and, where applicable, provide a suggestion for alternative wording. The comments should be sent to:

**Secretary, Auditing and Assurance Standards Board  
The Institute of Chartered Accountants of India  
ICAI Bhawan, A-29, Sector-62,  
NOIDA, Uttar Pradesh – 201 309**

Comments can also be e-mailed at: [aasb@icai.in](mailto:aasb@icai.in)

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**Standard on Auditing SA 800(Revised)**  
**Special Considerations—Audits of Financial Statements Prepared in**  
**Accordance with Special Purpose Frameworks**

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Standard on Auditing (SA) 800(Revised), “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks” should be read in the context of the “Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services”, which sets out the authority of SAs and SA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”.

## Introduction

### Scope of this SA

1. The Standards on Auditing (SAs) in the 100-700 series apply to an audit of financial statements. This SA deals with special considerations in the application of those SAs to an audit of financial statements prepared in accordance with a special purpose framework.
2. This SA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework. SA 805(Revised)<sup>1</sup>, deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
3. This SA does not override the requirements of the other SAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

### Effective Date

4. This SA is effective for audits of financial statements for periods beginning on or after .....

### Objective

5. The objective of the auditor, when applying SAs in an audit of financial statements prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:
  - (a) The acceptance of the engagement;
  - (b) The planning and performance of that engagement; and
  - (c) Forming an opinion and reporting on the financial statements.

### Definitions

6. For purposes of the SAs, the following terms have the meanings attributed below:
  - (a) **Special purpose financial statements** – Financial statements prepared in accordance with a special purpose framework. (Ref: Para. A4)
  - (b) **Special purpose framework** – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework<sup>2</sup>. (Ref: Para. A1-A4)
7. Reference to “financial statements” in this SA means “a complete set of special purpose financial statements” including the related notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine

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<sup>1</sup> SA 805(Revised), “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement”.

<sup>2</sup> SA 200, paragraph 13(a).

the form and content of the financial statements, and what constitutes a complete set of financial statements.

## **Requirements**

### **Considerations When Accepting the Engagement**

#### ***Acceptability of the Financial Reporting Framework***

8. SA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements<sup>3</sup>. In an audit of special purpose financial statements, the auditor shall obtain an understanding of: (Ref: Para. A5-A8)

- (a) The purpose for which the financial statements are prepared;
- (b) The intended users; and
- (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.

### **Considerations When Planning and Performing the Audit**

9. SA 200 requires the auditor to comply with all SAs relevant to the audit<sup>4</sup>. In planning and performing an audit of special purpose financial statements, the auditor shall determine whether application of the SAs requires special consideration in the circumstances of the engagement. (Ref: Para. A9-A12)

10. SA 315 requires the auditor to obtain an understanding of the entity's selection and application of accounting policies<sup>5</sup>. In the case of financial statements prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of those financial statements. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial statements.

### **Forming an Opinion and Reporting Considerations**

11. When forming an opinion and reporting on special purpose financial statements, the auditor shall apply the requirements in SA 700 (Revised)<sup>6</sup>. (Ref: Para. A13 – A19)

#### ***Description of the Applicable Financial Reporting Framework***

12. SA 700 (Revised) requires the auditor to evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework<sup>7</sup>. In the case of financial statements prepared in accordance with the provisions of a contract, the

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<sup>3</sup> SA 210, "Agreeing the Terms of Audit Engagements", paragraph 6(a).

<sup>4</sup> SA 200, paragraph 18.

<sup>5</sup> SA 315, "Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment", paragraph 11(c).

<sup>6</sup> SA 700 (Revised), "Forming an Opinion and Reporting on Financial Statements".

<sup>7</sup> SA 700 (Revised), paragraph 15.

auditor shall evaluate whether the financial statements adequately describe any significant interpretations of the contract on which the financial statements are based.

13. SA 700 (Revised) deals with the form and content of the auditor's report, including the specific ordering of certain elements. In the case of an auditor's report on special purpose financial statements:

- (a) The auditor's report shall also describe the purpose for which the financial statements are prepared and, if necessary, the intended users, or refer to a note in the special purpose financial statements that contains that information; and
- (b) If management has a choice of financial reporting frameworks in the preparation of such financial statements, the explanation of management's responsibility for the financial statements shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

***Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework***

14. The auditor's report on special purpose financial statements shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose. (Ref: Para. A20 – A21)

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## **Application and Other Explanatory Material**

### **Special Purpose Frameworks<sup>8</sup>** (Ref: Para. 6)

A1. Examples of special purpose frameworks are:

- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
- The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.

A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorised or recognised standards setting organization or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires financial

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<sup>8</sup> In India, financial statements prepared for filing with income tax authorities are considered to be general purpose financial statements. Attention of the readers are also invited to the announcement published in "The Chartered Accountant", August 1994 (page 224) which states that: "It is hereby clarified that the mandatory accounting standards also apply in respect of financial statements audited under section 44AB of the Income Tax Act, 1961. Accordingly, members should examine compliance with the mandatory accounting standards when conducting such audit".



statements to be prepared in accordance with most, but not all, of the Accounting Standards issued by ICAI or Accounting Standards prescribed under Section 133 of the Companies Act 2013. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial statements to imply full compliance with the financial reporting framework established by the authorised or recognized standards setting organization or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Accounting Standards issued by ICAI or Accounting Standards prescribed under Section 133 of the Companies Act 2013.

A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorized or recognized standards setting organization or by law or regulation that are necessary to achieve fair presentation of the financial statements.

A4. Financial statements prepared in accordance with a special purpose framework may be the only financial statements an entity prepares. In such circumstances, those financial statements may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial statements in those circumstances, the financial statements are still considered to be special purpose financial statements for purposes of the SAs. The requirements in paragraphs 13-14 are designed to avoid misunderstandings about the purpose for which the financial statements are prepared.

## **Considerations When Accepting the Engagement**

### ***Acceptability of the Financial Reporting Framework*** (Ref: Para. 8)

A5. In the case of special purpose financial statements, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial statements.

A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organization that is authorized or recognized to promulgate standards for special purpose financial statements. In that case, those standards will be presumed acceptable for that purpose if the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. Some law(s) or regulation(s) may prescribe the financial reporting framework to be used by management in the preparation of special purpose financial statements for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for special purpose financial statements prepared by such entity.

A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, SA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist<sup>9</sup>.

A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of SA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgment. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

#### **Considerations When Planning and Performing the Audit (Ref: Para. 9)**

A9. SA 200 requires- the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements, and (b) all SAs relevant to the audit. It also requires the auditor to comply with each requirement of an SA unless, in the circumstances of the audit, the entire SA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an SA by performing alternative audit procedures to achieve the aim of that requirement<sup>10</sup>.

A10. Application of some of the requirements of the SAs in an audit of special purpose financial statements may require special consideration by the auditor. For example, in SA 320, judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group<sup>11</sup>. In the case of an audit of special purpose financial statements, however, those judgments are based on a consideration of the financial information needs of the intended users.

A11. In the case of special purpose financial statements, 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. The 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

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<sup>9</sup> SA 210, paragraph 18.

<sup>10</sup> SA 200, paragraphs 14, 18 and 22-23.

<sup>11</sup> SA 320, "Materiality in Planning and Performing an Audit", paragraph 2.

financial statements.

A12. SA 260 (Revised) requires the auditor to determine the appropriate persons within the entity's governance structure with whom to communicate<sup>12</sup>. SA 260 (Revised) notes that, in some cases, all those charged with governance are involved in managing the entity, and the application of the communication requirements is modified to recognise this position.<sup>13</sup> When a complete set of general purpose financial statements is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the special purpose financial statements may not be the same as those charged with governance responsible for the oversight of the preparation of the general purpose financial statements.

### **Forming an Opinion and Reporting Considerations (Ref: Para. 11)**

A13. The Appendix to this SA contains illustrations of independent auditor's reports on special purpose financial statements. Other illustrations of auditor's report may be relevant to reporting on special purpose financial statements (see for example, the Appendices to SA 700(Revised), SA 705 (Revised)<sup>14</sup>, SA 570 (Revised)<sup>15</sup>, SA 720 (Revised)<sup>16</sup>, and SA 706 (Revised)<sup>17</sup>.

### ***Application of SA 700(Revised) When Reporting on Special Purpose Financial Statements***

A14. Paragraph 11 of this SA explains that the auditor is required to apply SA 700 (Revised) when forming an opinion and reporting on special purpose financial statements. In doing so, the auditor is also required to apply the reporting requirements in other SAs and may find the special considerations addressed in paragraphs A15-A19 below helpful.

### ***Going Concern***

A15. Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant. (e.g., the going concern basis of accounting is not relevant for some financial statements prepared on a tax basis)<sup>18</sup>. Depending on the applicable financial reporting framework used in the preparation of the special purpose financial statements, the description in the auditor's report of management's responsibilities<sup>19</sup> relating to going concern may need to be adapted, as necessary. The description in the auditor's report of the auditor's responsibilities<sup>20</sup> may also need to be adapted as necessary depending on how SA 570(Revised) applies in the circumstances of the engagement.

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<sup>12</sup> SA 260(Revised), Communication with Those charged with Governance.

<sup>13</sup> SA 260 (Revised), paragraph A8.

<sup>14</sup> SA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*.

<sup>15</sup> SA 570 (Revised), *Going Concern*

<sup>16</sup> SA 720 (Revised), *The Auditor's Responsibilities relating to Other Information*.

<sup>17</sup> SA 706(Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

<sup>18</sup> See SA 570 (Revised), *Going Concern*, paragraph 2.

<sup>19</sup> See SA 700(Revised), paragraph 33(b) and A43.

<sup>20</sup> See SA 700 (Revised), paragraph 38(b)(iv).

### *Key Audit Matters*

A16. SA 700(Revised) requires the auditor to communicate key audit matters in accordance with SA 701<sup>21</sup> for audits of complete sets of general purpose financial statements of listed entities. For audits of special purpose financial statements, SA 701 only applies when communication of key audit matters in the auditor's report on the special purpose financial statements is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on special purpose financial statements, SA 701 applies in its entirety.<sup>22</sup>

### *Other Information*

A17. SA 720 (Revised) deals with the auditor's responsibilities relating to other information. In the context of this SA, reports containing or accompanying the special purpose financial statements – the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in special purpose financial statements – are considered to be annual reports for the purposes of SA 720 (Revised). In the case of financial statements prepared using a special purpose framework, the term "similar stakeholders" includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial statements. When the auditor determines that the entity plans to issue such a report, the requirements of SA 720 (Revised) apply to the audit of the special purpose financial statements.

### *Signature of the Auditor*

A18. The auditor's report shall be signed. The report is signed by the auditor (i.e. the engagement partner) in his personal name. Where the firm is appointed as the auditor, the report is signed in the personal name of the auditor and in the name of the audit firm. The partner/proprietor signing the audit report also needs to mention the membership number assigned by the Institute of Chartered Accountants of India. They also include the registration number of the firm, wherever applicable, as allotted by ICAI, in the audit reports signed by them<sup>23</sup>.

### *Inclusion of a Reference to the Auditor's Report on the Complete Set of General Purpose Financial Statements*

A19. The auditor may deem it appropriate to refer, in an Other Matter paragraph in the auditor's report on the special purpose financial statements, to the auditor's report on the complete set of general purpose financial statements or to matter(s) reported therein (See SA 706(Revised)<sup>24</sup>. For example, the auditor may consider it appropriate to refer in the auditor's report on the special purpose financial statements to a Material Uncertainty Related to Going Concern section included in the auditor's report on the complete set of general purpose financial statements.

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<sup>21</sup> SA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*.

<sup>22</sup> See SA 700 (Revised), paragraph 31.

<sup>23</sup> See SA 700(Revised), paragraph 45.

<sup>24</sup> See SA 706(Revised), paragraphs 10-11.

***Alerting Readers that the Financial Statements Are Prepared in Accordance with a Special Purpose Framework*** (Ref: Para. 14)

A20. The special purpose financial statements 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 financial statements on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report by including an Emphasis of Matter paragraph explaining that the financial statements are prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. SA 706 (Revised) requires this paragraph to be included within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter".<sup>25</sup>

***Restriction on Distribution or Use*** (Ref: Para. 14)

A21. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the applicable law or regulation, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly.

**Material Modifications *vis-a-vis* ISA 800(Revised), "Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks"**

**Deletion**

Paragraph A1 of ISA 800(Revised) deals with the examples of special purpose frameworks, which also includes the example "a tax basis of accounting for a set of financial statements that accompany an entity's tax return". Since in India, financial statements prepared for filing with income tax authorities are considered to be general purpose financial statements and as per the announcement issued under the authority of the Council of the Institute of Chartered Accountants of India (ICAI) in August, 1994, the mandatory accounting standards should also be applied in respect of financial statements audited under section 44AB of the Income Tax Act, 1961, the example, "A tax basis of accounting for a set of financial statements that accompany an entity's tax return" has been deleted.

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<sup>25</sup> See paragraph 9(a) of SA 706 (Revised).

## **Appendix**

(Ref: Para. A13)

### **Illustrations of Independent Auditor's Reports on Special Purpose Financial Statements**

Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a listed entity, prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

Illustration 2: An auditor's report on a complete set of financial statements prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

**Illustration 1: An auditor’s report on a complete set of financial statements of an entity other than a listed entity, prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).**

For purposes of this illustration, the following circumstances are assumed:

- The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (i.e., a special purpose framework). Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework.
- An auditor’s report on the complete set of general purpose financial statements was not issued.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in SA 210.
- The auditor has concluded an unmodified (i.e. “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise the Code of Ethics issued by ICAI together with the other relevant ethical requirements relating to the audit and the auditor refers to both.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with SA 570(Revised).
- Distribution and use of the auditor’s report are restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with SA 701.
- The auditor has determined that there is no other information (i.e., the requirements of SA 720(Revised) do not apply.
- Those responsible for oversight of the financial statements do not differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law.

**INDEPENDENT AUDITOR’S REPORT**

[Appropriate Addressee]

**Opinion**

We have audited the financial statements of ABC Company Ltd. (the Company), which comprise the balance sheet as at March 31, 20X1, and the statement of profit and loss,

and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements of the Company for the year ended March 31, 20X1 are prepared in all material respects in accordance with the financial reporting provisions of section/ clause Z of the contract dated July 1, 20X0 between the Company and DEF Company Ltd. (“the contract”).

### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use**

We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company and DEF Company Ltd. and should not be distributed to or used by parties other than the Company or DEF Company Ltd. Our opinion is not modified in respect of this matter.

### **Management’s Responsibility for the Financial Statements**

The Company’s Board of Directors is responsible for the preparation of the financial statements in accordance with the financial reporting provisions of section/ clause Z of the contract; this includes the design, implementation and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is also responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company’s financial reporting process.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 40(b) of SA 700(Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of SA 700(Revised) explains that when law, regulation or applicable auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with the Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control<sup>26</sup>.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up

<sup>26</sup> This sentence would be modified, as appropriate in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with an audit of the financial statements.

to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For XYZ and Co.  
Chartered Accountants  
Firm's Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>27</sup>)  
Membership Number

Place of Signature

Date

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<sup>27</sup> Partner or Proprietor, as the case may be.

**Illustration 2: An auditor's report on a complete set of financial statements prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).**

For purposes of this illustration, the following circumstances are assumed:

- Audit of a complete set of financial statements that have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (i.e., a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in SA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise the Code of Ethics issued by ICAI together with the other relevant ethical requirements relating to the audit and the auditor refers to both.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with SA 570 (Revised). The disclosure of material uncertainty in the financial statements is adequate.
- Distribution or use of the auditor's report is not restricted.
- The auditor is required by the regulator to communicate key audit matters in accordance with SA 701.
- The auditor has determined that there is no other information (i.e., the requirements of SA 720 (Revised) do not apply.
- Those responsible for oversight of the financial statements do not differ from those responsible for the preparation of the financial statements.
- The auditor has no other reporting responsibilities required under local law.

**INDEPENDENT AUDITOR'S REPORT**

[Appropriate Addressee]

**Opinion**

We have audited the financial statements of ABC Company Ltd. (the Company), which comprise the balance sheet as at March 31, 20X1, and the statement of profit and loss, and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give a true and fair view of the state of affairs of the Company as at March 31, 20X1, and of its results of operations and its cash flows for the year then ended in accordance with the financial reporting provisions of Section Y of Regulation Z.

### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter - Basis of Accounting**

We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note XX in the financial statements, which indicates that the Company incurred a net loss of Rs. ZZZ during the year ended March 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by Rs. YYY. As stated in Note XX, these events or conditions, along with other matters as set forth in Note XX, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section above, we have determined the matters described below to be key audit matters to be communicated in our report.

*[Description of each key audit matter in accordance with SA 701, as applied to this audit]*

## **Other Matter**

The Company has prepared a separate set of financial statements for the year ended March 31, 20X1 in accordance with the Accounting Standards referred to in section 133 of the Companies Act, 2013 on which we issued a separate auditor's report to the members of the Company dated June 30, 20X1.

## **Management's Responsibility for the Financial Statements**

The Board of Directors of the Company are responsible for the preparation and presentation of the financial statements that give a true and fair view of the state of affairs, results of operations and cash flows of the Company in accordance with the financial reporting provisions of Section Y of Regulation Z; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is also responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 40(b) of SA 700(Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of SA 700(Revised) explains that when law, regulation or applicable auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with the Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control<sup>28</sup>.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For XYZ and Co.  
Chartered Accountants  
Firm's Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>29</sup>)  
Membership Number

Place of Signature

Date

<sup>28</sup> This sentence would be modified, as appropriate in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with an audit of the financial statements.

<sup>29</sup> Partner or Proprietor, as the case may be.

**Standard on Auditing (SA) 805 (Revised)**  
**Special Considerations - Audits of Single Financial Statements and**  
**Specific Elements, Accounts or Items of a Financial Statement**

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Appendix 1: Examples of Specific Elements, Accounts or Items of a Financial Statement

Appendix 2: Illustrations of Independent Auditor’s Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

Standard on Auditing (SA) 805(Revised), “Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement” should be read in the context of the “Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services”, which sets out the authority of SAs and SA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”.

## Introduction

### Scope of this SA

1. The Standards on Auditing (SAs) in the 100-700 series apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This SA deals with special considerations in the application of those SAs to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, SA 800 (Revised)<sup>1</sup> also applies to the audit. (Ref: Para. A1-A3)
2. This SA does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a principal auditor for purposes of an audit of consolidated financial statements<sup>2</sup>.
3. This SA does not override the requirements of the other SAs; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

### Effective Date

4. This SA is effective for audits of single financial statements or of specific elements, accounts or items for periods beginning on or after ..... In the case of audits of single financial statements or of specific elements, accounts or items of a financial statement prepared as at a specific date, this SA is effective for audits of such information prepared as at a date on or after .....

### Objective

5. The objective of the auditor, when applying SAs in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:
  - (a) The acceptance of the engagement;
  - (b) The planning and performance of that engagement; and
  - (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

### Definitions

6. For purposes of this SA, reference to:
  - (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement”;
  - (b) “Financial Reporting Standards” means the Accounting Standards issued by the

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<sup>1</sup> SA 800(Revised), “Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks”.

<sup>2</sup> SA 600, Using the Work of Another Auditor.



Institute of Chartered Accountants of India (ICAI) or the Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006, or the Accounting Standards issued pursuant to section 133 of the Companies Act, 2013 as may be applicable; and

- (c) A single financial statement (for example, a cash flow statement) or a specific element of a financial statement (for example, cash and bank balances) includes the related notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information relevant to the financial statement or to the element.

## **Requirements**

### **Considerations When Accepting the Engagement**

#### ***Application of SAs***

7. SA 200 requires the auditor to comply with all SAs relevant to the audit<sup>3</sup>. In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity's complete set of financial statements. If the auditor is not also engaged to audit the entity's complete set of financial statements, the auditor shall determine whether the audit of a single financial statement or of a specific element of those financial statements in accordance with SAs is practicable. (Ref: Para. A4-A5)

#### ***Acceptability of the Financial Reporting Framework***

8. SA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements<sup>4</sup>. In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A6)

#### ***Form of Opinion***

9. SA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor<sup>5</sup>. In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A7-A8)

### **Considerations When Planning and Performing the Audit**

10. SA 200 states that SAs are written in the context of an audit of financial statements; they are to be adapted as necessary in the circumstances when applied to audits of

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<sup>3</sup> SA 200, paragraph 18.

<sup>4</sup> SA 210, "Agreeing the Terms of Audit Engagements", paragraph 6(a).

<sup>5</sup> SA 210, paragraph 10(e).

other historical financial information.<sup>6 7</sup> In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall adapt all SAs relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A9-A14)

### **Forming an Opinion and Reporting Considerations**

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in SA 700 (Revised)<sup>8</sup>, and, when applicable, SA 800 (Revised) adapted as necessary in the circumstances of the engagement. (Ref: Para. A15 – A21)

### ***Reporting on the Entity's Complete Set of Financial Statements and on a Single Financial Statement or on a Specific Element of Those Financial Statements***

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's complete set of financial statements, the auditor shall express a separate opinion for each engagement.

13. The audited single financial statement or the audited specific element of a financial statement may be published together with the entity's audited complete set of financial statements. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the complete set of financial statements, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the complete set of financial statements. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

### ***Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Complete Set of Financial Statements for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon***

14. If the auditor's report on an entity's complete set of financial statements includes:

- (a) A modified opinion in accordance with SA 705 (Revised)<sup>9</sup>;
- (b) An Emphasis of Matter paragraph or an Other Matter paragraph in accordance with SA 706 (Revised)<sup>10</sup>;
- (c) A Material Uncertainty Related to Going Concern section in accordance with SA

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<sup>6</sup> SA 200, paragraph 2.

<sup>7</sup> SA 200, paragraph 13(f), explains that the term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework.

<sup>8</sup> SA 700 (Revised), "Forming an Opinion and Reporting on Financial Statements".

<sup>9</sup> SA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*.

<sup>10</sup> SA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor's Report*.

570 (Revised);<sup>11</sup>

- (d) Communication of key audit matters in accordance with SA 701<sup>12</sup>; or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with SA 720 (Revised).<sup>13</sup>

the auditor shall consider the implications, if any, that these matters, may have for the audit of the single financial statement or of the specific element of a financial statement and for the auditor's report thereon. (Ref: Para. A22-A26)

### ***Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Complete Set of Financial Statements***

15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's complete set of financial statements as a whole, SA 705 (Revised) does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of those financial statements or on a specific element of those financial statements<sup>14</sup>. This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's complete set of financial statements as a whole. (Ref: Para. A27)

16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's complete set of financial statements as a whole but, in the context of a separate audit of a specific element of those financial statements, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:

- (a) The auditor is not prohibited by law or regulation from doing so;
- (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
- (c) The element does not constitute a major portion of the entity's complete set of financial statements.

17. The auditor shall not express an unmodified opinion on a single financial statement of a complete set of financial statements if the auditor has expressed an adverse opinion or disclaimed an opinion on the complete set of financial statements as a whole. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of those financial statements.

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<sup>11</sup> SA 570 (Revised), *Going Concern*, paragraph 22

<sup>12</sup> SA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 13.

<sup>13</sup> SA 720 (Revised), *The Auditor's Responsibilities relating to Other Information*, paragraph 22(e)(ii).

<sup>14</sup> SA 705(Revised), paragraph 15.

## **Application and Other Explanatory Material**

### **Scope of this SA (Ref: Para.1, 6(c))**

A1. SA 200 defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past<sup>15</sup>.

A2. SA 200 defines the term “financial statements” as a structured representation of historical financial information, including related notes, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The term “financial statements”, ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement<sup>16</sup>.

A3. SAs are written in the context of an audit of financial statements<sup>17</sup>; they are to be adapted as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This SA assists in this regard. (Appendix 1 lists examples of such other historical financial information.)

### **Considerations When Accepting the Engagement**

#### ***Application of SAs*** (Ref: Para. 7)

A4. SA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements, and (b) all SAs relevant to the audit. It also requires the auditor to comply with each requirement of an SA unless, in the circumstances of the audit, the entire SA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an SA by performing alternative audit procedures to achieve the aim of that requirement<sup>18</sup>.

A5. Compliance with the requirements of SAs relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity’s complete set of financial statements. In such cases, the 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 financial statements. The 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 financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence

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<sup>15</sup> SA 200, paragraph 13(g).

<sup>16</sup> SA 200, paragraph 13(f)

<sup>17</sup> SA 200, paragraph 2.

<sup>18</sup> SA 200, paragraphs 14, 18 and 22-23.

acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain SAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of SA 570(Revised) 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 the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with SAs may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

**Acceptability of the Financial Reporting Framework** (Ref: Para. 8)

A6. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a complete set of financial statements (e.g., Financial Reporting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

**Form of Opinion** (Ref: Para. 9)

A7. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations<sup>19</sup>. In accordance with SA 700 (Revised)<sup>20</sup>:

- (a) When expressing an unmodified opinion on a complete set of financial statements prepared in accordance with a fair presentation framework, the auditor's opinion, unless otherwise required by law or regulation, uses one of the following phrases: (i) the financial statements present fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or (ii) the financial statements give a true and fair view in accordance with [the applicable financial reporting framework]; and
- (b) When expressing an unmodified opinion on a complete set of financial statements prepared in accordance with a compliance framework, the auditor's opinion states that the financial statements are prepared, in all material respects, in accordance with [the applicable financial reporting framework].

A8. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the specific element of the financial statement. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organization for the preparation of a complete set of financial

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<sup>19</sup> SA 200, paragraph 8.

<sup>20</sup> SA 700(Revised), paragraphs 25-26.

statements (e.g., Financial Reporting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. 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 include:

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a complete set of financial statements.
- Whether the single financial statement or the specific element of a financial statement will:
  - ◆ Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the specific element of a financial statement include the related disclosures.
  - ◆ If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

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" in the auditor's opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction.

### **Considerations When Planning and Performing the Audit (Ref: Para. 10)**

A9. The relevance of each of the SAs requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, SAs such as SA 240<sup>21</sup>, SA 550<sup>22</sup> and SA 570 (Revised) are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern basis of accounting under the applicable financial reporting framework.

A10. SA 260 (Revised) requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate.<sup>23</sup> SA 260 (Revised) notes that, in some cases, all of those charged with governance are involved in managing the entity, and the application of communication requirements is modified to recognise this position.<sup>24</sup> When complete set of financial statements is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the single financial statement or the element may not be the same as those charged with governance responsible for the oversight of the preparation of the complete set of financial statements.

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<sup>21</sup> SA 240, 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'.

<sup>22</sup> SA 550, "Related Parties".

<sup>23</sup> SA 260(Revised), *Communication with Those Charged with Governance*, paragraph 11.

<sup>24</sup> See SA 260(Revised), paragraphs 10(b), 13, A1 (third bullet), A2 and A8.

A11. Furthermore, SAs are written in the context of an audit of financial statements; they are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement or of a specific element of a financial statement. For example, written representations from management about the complete set of financial statements would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.

A12. Matters included in the auditor's report on the complete set of financial statements may have implications for the audit of a single financial statement or of an element of a financial statement (see paragraph 14). When planning and performing an audit of a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity's complete set of financial statements, the auditor may be able to use audit evidence obtained as part of the audit of the entity's complete set of financial statements in the audit of the financial statement or the element. SAs, however, require the auditor to plan and perform the audit of the financial statement or the element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.

A13. The individual financial statements that comprise a complete set of financial statements, and many of the specific elements of those financial statements, including their related notes, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement 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.

A14. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's complete set of financial statements; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

#### **Forming an Opinion and Reporting Considerations (Ref: Para. 11)**

A15. SA 700 (Revised) requires the auditor, in forming an opinion, to evaluate whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements<sup>25</sup>. In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.

A16. Appendix 2 contains illustrations of independent auditor's reports on a single financial statement and on a specific element of a financial statement. Other illustrations of auditor's reports may be relevant to reporting on a single financial

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<sup>25</sup> SA 700 (Revised), paragraph 13(e).

statement or on a specific element of a financial statement (see, for example, the Appendices to SA 700 (Revised), SA 705 (Revised), SA 570 (Revised), SA 720 (Revised) and SA 706 (Revised)).

***Application of SA 700 (Revised) When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement***

A17. Paragraph 11 of this SA explains that the auditor is required to apply the requirements in SA 700 (Revised), adapted as necessary in the circumstances of the engagement, when forming an opinion and reporting on a single financial statement or on a specific element of a financial statement. In doing so, the auditor is also required to apply the reporting requirements in other SAs, adapted as necessary in the circumstances of the engagement, and may find the considerations addressed in paragraphs A18–A20 below helpful.

***Going Concern***

A18. Depending on the applicable financial reporting framework used in the preparation of the single financial statement or specific element of a financial statement, the description in the auditor’s report of management’s responsibilities<sup>26</sup> relating to going concern may need to be adapted, as necessary. The description in the auditor’s report of the auditor’s responsibilities<sup>27</sup> may also need to be adapted as necessary depending on how SA 570(Revised) applies in the circumstances of the engagement.

***Key Audit Matters***

A19. SA 700 (Revised) requires the auditor to communicate key audit matters in accordance with SA 701 for audits of complete sets of general purpose financial statements of listed entities<sup>28</sup>. For audits of a single financial statement or a specific element of a financial statement, SA 701 only applies when communication of key audit matters in the auditor’s report on such financial statements or elements is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor’s report on a single financial statement or a specific element of a financial statement, SA 701 applies in its entirety.<sup>29</sup>

***Other Information***

A20. SA 720 (Revised) deals with the auditor’s responsibilities relating to other information. In the context of this SA, reports containing or accompanying the single financial statement or specific element of a financial statement – the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the single financial statement or the specific element of a financial statement – are considered to be annual reports for the purposes of SA 720 (Revised). When the auditor determines that the entity plans to issue such a report, the requirements of SA 720 (Revised) apply to the single financial statement or the element.

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<sup>26</sup> See SA 700(Revised), paragraph 33(b) and A43.

<sup>27</sup> See SA 700 (Revised), paragraph 38(b)(iv).

<sup>28</sup> See SA 700(Revised), paragraph 30.

<sup>29</sup> See SA 700 (Revised), paragraph 31.



### *Signature of the Auditor*

A21. The auditor's report shall be signed. The report is signed by the auditor (i.e. the engagement partner) in his personal name. Where the firm is appointed as the auditor, the report is signed in the personal name of the auditor and in the name of the audit firm. The partner/proprietor signing the audit report also needs to mention the membership number assigned by the Institute of Chartered Accountants of India. They also include the registration number of the firm, wherever applicable, as allotted by ICAI, in the audit reports signed by them<sup>30</sup>.

### ***Reporting on the Entity's Complete Set of Financial Statements and on a Single Financial Statement or on a Specific Element of a Financial Statement (Ref: Para: 14)***

*Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Complete Set of Financial Statements for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the auditor's report thereon*

A22. Paragraph 14 requires the auditor to consider the implications, if any, of certain matters included in the auditor's report on the complete set of financial statements for the audit of the single financial statement or the specific element of a financial statement and for the auditor's report thereon. Considering whether a matter included in the auditor's report on the complete set of financial statements is relevant in the context of an engagement to report on a single financial statement or a specific element of a financial statement involves professional judgment.

A23. Factors that may be relevant in considering those implications include:

- The nature of the matter(s) being described in the auditor's report on the complete set of financial statements and the extent to which it relates to what is included in the single financial statement or specific element of a financial statement.
- The pervasiveness of the matter(s) described in the auditor's report on the complete set of financial statements.
- The nature and extent of the differences between the applicable financial reporting frameworks.
- The extent of the difference between the period(s) covered by the complete set of the financial statements compared to the period(s) or dates of the single financial statement or the element of a financial statement.
- The time elapsed since the date of the auditor's report on the complete set of the financial statements.

A24. For example, in the case when there is a qualification of the auditor's opinion in relation to accounts receivable in the auditor's report on the complete set of financial statements, and the single financial statement includes accounts receivable, or the specific element of a financial statement relates to accounts receivable, it is likely that

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<sup>30</sup> See SA 700(revised), paragraph 45.

there would be implications for the audit. On the other hand, if the qualification of the auditor's opinion on the complete set of financial statements relates to classification of long term debt, then it is less likely that there would be implications for an audit of the single financial statement that is the Statement of Profit and Loss, or if the specific element of the financial statement relates to accounts receivable.

A25. Key audit matters that are communicated in the auditor's report on the complete set of financial statements may have implications for an audit of a single financial statement or the specific element of the financial statement. The information included in the Key Audit Matter section about how the matter was addressed in the audit of complete set of financial statements may be useful to the auditor's determination of how to address the matter when it is relevant to the audit of the single financial statement or the specific element of the financial statement.

*Inclusion of a reference to the auditor's report on the complete set of financial statements*

A26. Even when certain matters included in the auditor's report on the complete set of financial statements do not have implications for the audit of, or for the auditor's report on, the single financial statement or the specific element of a financial statement, the auditor may deem it appropriate to refer to the matter(s) in an Other Matter paragraph in an auditor's report on the single financial statement or on the specific element of a financial statement (see SA 706(Revised))<sup>31</sup>. For example, the auditor may consider it appropriate to refer in the auditor's report on the single financial statement or a specific element of the financial statement to a Material Uncertainty Related to Going Concern section included in the auditor's report on the complete set of financial statements.

***Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Complete Set of Financial Statements (Ref: Para 15)***

A27. In the auditor's report on an entity's complete set of financial statements, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the state of affairs is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial statements as a whole<sup>32</sup>.

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<sup>31</sup> SA 706(Revised), paragraphs 10-11.

<sup>32</sup> SA 510, "Initial Audit Engagements—Opening Balances", paragraph A5, and SA 705(Revised), paragraph A16.

## **Appendix 1**

(Ref: Para. A3)

### **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” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private pension plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

## **Appendix 2**

(Ref: Para. A16)

### **Illustrations of Independent Auditor's Reports on a Single Financial Statement and on a Specific Element of a Financial Statement**

- Illustration 1: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element, account or item of financial statements of a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

**Illustration 1: An auditor’s report on a single financial statement of an unlisted company, prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).**

For the purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a balance sheet (i.e., a single financial statement).
- The balance sheet has been prepared by management of the entity in accordance with the requirements of the Accounting Standards referred to in section 133 of the Companies Act, 2013 relevant to preparing a balance sheet.
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in SA 210.
- The auditor has determined that it is appropriate to use the phrase “presents a true and fair view”, in the auditor’s opinion.
- The relevant ethical requirements that apply to the audit comprise the Code of Ethics issued by ICAI together with the other relevant ethical requirements relating to the audit and the auditor refers to both.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with SA 570 (Revised). The disclosure of the material uncertainty in the single financial statement is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with SA 701 in the context of the audit of the balance sheet.
- The auditor has determined that there is no other information (i.e., the requirements of SA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statement do not differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under the law or regulation in the specific context of this engagement.

**INDEPENDENT AUDITOR’S REPORT**

[Appropriate Addressee]

**Opinion**

We have audited the balance sheet of ABC Company Ltd. (the Company) as at March 31, 20X1 and notes to the financial statement, including a summary of significant accounting policies (together “the financial statement”).

In our opinion, and to the best of our information and according to the explanations

given to us, the accompanying financial statement give a true and fair view of the state of affairs of the Company as at March 31, 20XX in accordance with those requirements of the Accounting Standards referred to in section 133 of the Companies Act, 2013 relevant to preparing such a financial statement.

### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 6 in the financial statement, which indicates that the Company incurred a net loss of Rs. ZZZ during the year ended March 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by Rs. YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Management's<sup>33</sup> Responsibility for the Financial Statement**

The company' board of directors is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of the Accounting Standards referred to in section 133 of the Companies Act, 2013 ("the Act") relevant to preparing such a financial statement; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial

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<sup>33</sup> Or other term that is appropriate in the context of the applicable legal framework.

statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 40(b) of SA 700(Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of SA 700(Revised) explains that when law, regulation or applicable auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with the Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control<sup>34</sup>.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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<sup>34</sup> This sentence would be modified, as appropriate in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with an audit of the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For XYZ and Co.  
Chartered Accountants  
Firm's Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>35</sup>)  
Membership Number

Place of Signature  
Date

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<sup>35</sup> Partner or Proprietor, as the case may be.



**Illustration 2: An auditor’s report on a single financial statement of an unlisted company, prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a statement of cash receipts and disbursements (i.e., a single financial statement).
- An auditor’s report on the complete set of financial statements was not issued.
- The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users<sup>36</sup>.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in SA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The auditor has determined that it is appropriate to use the phrase “presents a true and fair view” in the auditor’s opinion.
- The relevant ethical requirements that apply to the audit comprise the Code of Ethics issued by ICAI together with the other relevant ethical requirements relating to the audit and the auditor refers to both.
- Distribution or use of the auditor’s report is not restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with SA 570 (Revised).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with SA 701 in the context of the audit of the statement of cash receipts and disbursements.
- The auditor has determined that there is no other information (i.e., the requirements of SA 720(Revised) do not apply).
- Management is responsible for the preparation of the financial statement and oversight of the financial reporting process to prepare this financial statement.
- The auditor has no other reporting responsibilities required under law or regulation in the specific context of this engagement.

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<sup>36</sup> SA 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

## **INDEPENDENT AUDITOR'S REPORT**

[Appropriate Addressee]

### **Opinion**

We have audited the statement of cash receipts and disbursements of ABC Company Ltd. (the Company) for the year ended March 31, 20X1 and notes to the statement of cash receipts and disbursements, including a summary of significant accounting policies (together "the financial statement").

In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statement presents a true and fair view of the cash receipts and disbursements of the Company for the year ended March 31, 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X.

### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter – Basis of Accounting**

We draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the financial statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### **Management's<sup>37</sup> Responsibility for the Financial Statement**

The Company's Board of Directors is responsible for the preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters

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<sup>37</sup> Or other term that is appropriate in the context of the applicable legal framework.

relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 40(b) of SA 700(Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of SA 700(Revised) explains that when law, regulation or applicable auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with the Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control<sup>38</sup>.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material

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<sup>38</sup> This sentence would be modified, as appropriate in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with an audit of the financial statements.

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For XYZ and Co.  
Chartered Accountants  
Firm's Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>39</sup>)  
Membership Number

Place of Signature

Date

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<sup>39</sup> Partner or Proprietor, as the case may be.

**Illustration 3: An auditor’s report on a specific element of a financial statement of a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of an accounts receivable schedule (i.e., element, account or item of a financial statement).
- The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users<sup>40</sup>.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in SA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit comprise the Code of Ethics issued by ICAI together with the other relevant ethical requirements relating to the audit and the auditor refers to both.
- Distribution of the auditor’s report is restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with SA 570 (Revised).
- The auditor is not required, and has otherwise not decided to communicate key audit matters in accordance with SA 701 in the context of the audit of the accounts receivable schedule.
- The auditor has determined that there is no other information (i.e., the requirements of SA 720(Revised) do not apply).
- Those responsible for oversight of the financial statement do not differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under law or regulation in the specific context of this engagement.

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<sup>40</sup> SA 800(Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

## **INDEPENDENT AUDITOR'S REPORT**

[Appropriate Addressee]

### **Opinion**

We have audited the Accounts Receivable schedule of ABC Company Ltd. (the Company) as at March 31, 20X1 ("the Schedule").

In our opinion, the financial information in the schedule of the Company as at March 31, 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator].

### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act 2013. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter – Basis of Accounting and Restriction on Distribution**

We draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Company and Regulator DEF and should not be distributed to parties other than the Company or Regulator DEF. Our opinion is not modified in respect of this matter.

### **Management's<sup>41</sup> Responsibility for the Schedule**

The Company's Board of Directors is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator]; this includes the design, implementation and maintenance of internal control relevant to the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

In preparing the schedule, the Board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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<sup>41</sup> Or other term that is appropriate in the context of the applicable legal framework.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Schedule**

Our objectives are to obtain reasonable assurance about whether the Schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule.

Paragraph 40(b) of SA 700(Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 40(c) of SA 700(Revised) explains that when law, regulation or applicable auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with the Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control<sup>42</sup>.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions

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<sup>42</sup> This sentence would be modified, as appropriate in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with an audit of the financial statements.

may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For XYZ and Co.  
Chartered Accountants  
Firm's Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>43</sup>)  
Membership Number

Place of Signature

Date

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<sup>43</sup> Partner or Proprietor, as the case may be.



**Standard on Auditing SA 810(Revised)**  
**Engagements to Report on Summary Financial Statements**

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Standard on Auditing (SA) 810(Revised), “Engagements to Report on Summary Financial Statements” should be read in the context of the “Preface to the Standards on Quality Control, Auditing, Review, Other Assurance and Related Services”, which sets out the authority of SAs and SA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing”.

## Introduction

### Scope of this SA

1. This Standard on Auditing (SA) deals with the auditor's responsibilities when undertaking an engagement to report on summary financial statements derived from financial statements audited in accordance with SAs by that same auditor.

### Effective Date

2. This SA is effective for engagements to report on summary financial statements for periods beginning on or after.....

### Objectives

3. The objectives of the auditor are:

- (a) To determine whether it is appropriate to accept the engagement to report on summary financial statements;
- (b) If engaged to report on summary financial statements:
  - (i) To form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and
  - (ii) To express clearly that opinion through a written report that also describes the basis for that opinion.

### Definitions

4. For purposes of this SA, the following terms have the meanings attributed below:

- (a) **Applied criteria** – The criteria applied by management in the preparation of the summary financial statements.
- (b) **Audited financial statements** – Financial statements<sup>1</sup> audited by the auditor in accordance with SAs, and from which the summary financial statements are derived.
- (c) **Summary financial statements** – Historical financial information that is derived from financial statements but that contains less detail than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity's economic resources or obligations at a point in time or the changes therein for a period of time<sup>2</sup>. Different laws and regulations may use different terminology to describe such historical financial information.

### Requirements

#### Engagement Acceptance

5. The auditor shall ordinarily accept an engagement to report on summary financial

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<sup>1</sup> SA 200, paragraph 13(f).

<sup>2</sup> SA 200, paragraph 13(f).

statements in accordance with this SA only when the auditor has been engaged to conduct an audit in accordance with SAs of the financial statements from which the summary financial statements are derived<sup>3</sup>. (Ref: Para. A1)

6. Before accepting an engagement to report on summary financial statements, the auditor shall: (Ref: Para. A2)

- (a) Determine whether the applied criteria are acceptable; (Ref: Para. A3-A7)
- (b) Obtain the agreement of management that it acknowledges and understands its responsibility:
  - i. For the preparation of the summary financial statements in accordance with the applied criteria;
  - ii. To make the audited financial statements available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements); and
  - iii. To include the auditor's report on the summary financial statements in any document that contains the summary financial statements and that indicates that the auditor has reported on them.
- (c) Agree with management the form of opinion to be expressed on the summary financial statements (see paragraphs 9-11).

7. If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management set out in paragraph 6(b), the auditor shall not accept the engagement to report on the summary financial statements, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this SA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this SA. The auditor shall include appropriate reference to this fact in the terms of the engagement. The auditor shall also determine the effect that this may have on the engagement to audit the financial statements from which the summary financial statements are derived.

### **Nature of Procedures**

8. The auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements:

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<sup>3</sup> In some cases however the auditor may be required by a law or a regulation governing the entity to report on summary financial statements even for such accounting periods for which the former was not engaged to conduct the audit in accordance with SAs of the financial statements pertaining to such accounting periods. For example, in case of the report of the auditor of the company to be included in a prospectus under sub-Rule 4 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 issued under the Companies Act, 2013, such auditor might not necessarily have been the auditor of all or some of the financial statements of the company in respect of the accounting periods relating to which financial information has been reported upon by him/ her in the aforementioned report.

- (a) Evaluate whether the summary financial statements adequately disclose their summarised nature and identify the audited financial statements.
- (b) When summary financial statements are not accompanied by the audited financial statements, evaluate whether they describe clearly:
  - (i) From whom or where the audited financial statements are available; or
  - (ii) The law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.
- (c) Evaluate whether the summary financial statements adequately disclose the applied criteria.
- (d) Compare the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be re-calculated from the related information in the audited financial statements.
- (e) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
- (f) Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- (g) Evaluate whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements. (Ref: Para. A8)

### **Form of Opinion**

9. When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases: (Ref: Para. A9)

- (a) The accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [the applied criteria]; or
- (b) The accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with [the applied criteria].

10. If law or regulation prescribes the wording of the opinion on summary financial statements in terms that are different from those described in paragraph 9, the auditor shall:

- (a) Apply the procedures described in paragraph 8 and any further procedures necessary to enable the auditor to express the prescribed opinion; and
- (b) Evaluate whether users of the summary financial statements might misunderstand

the auditor's opinion on the summary financial statements and, if so, whether additional explanation in the auditor's report on the summary financial statements can mitigate possible misunderstanding.

11. If, in the case of paragraph 10(b), the auditor concludes that additional explanation in the auditor's report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this SA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this SA.

### **Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements**

12. The auditor's report on the summary financial statements may be dated later than the date of the auditor's report on the audited financial statements. In such cases, the auditor's report on the summary financial statements shall state that the summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements. (Ref: Para. A10)

13. The auditor may become aware of facts that existed at the date of the auditor's report on the audited financial statements, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor's report on the summary financial statements until the auditor's consideration of such facts in relation to the audited financial statements in accordance with SA 560<sup>4</sup> has been completed.

### **Information in Documents Containing Summary Financial Statements**

14. The auditor shall read the information included in a document containing the summary financial statements and the auditor's report thereon and consider whether there is a material inconsistency between that information and the summary financial statements.

15. If the auditor identifies a material inconsistency, the auditor shall discuss the matter with management and determine whether the summary financial statements or the information included in the document containing the summary financial statements and the auditor's report thereon needs to be revised. If the auditor determines that the information needs to be revised and management refuses to revise the information as necessary, the auditor shall take appropriate action in the circumstances, including considering the implications for the auditor's report on the summary financial statements. (Ref: Para. A11– A16)

### **Auditor's Report on Summary Financial Statements**

#### ***Elements of the Auditor's Report***

16. The auditor's report on summary financial statements shall include the following

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<sup>4</sup> SA 560, "Subsequent Events".

elements<sup>5</sup>: (Ref: Para. A23)

- (a) A title clearly indicating it as the report of an independent auditor. (Ref: Para. A17)
- (b) An addressee. (Ref: Para. A18)
- (c) Identification of the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements; (Ref: Para. A19)
- (d) Identification of the audited financial statements;
- (e) Subject to paragraph 20, a clear expression of an opinion. (see paragraphs 9-11)
- (f) A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited financial statements and the auditor's report thereon.
- (g) Where applicable, the statement required by paragraph 12.
- (h) Reference to the auditor's report on the audited financial statements, the date of that report, and, subject to paragraphs 19-20, the fact that an unmodified opinion is expressed on the audited financial statements;
- (i) A description of management's<sup>6</sup> responsibility for the summary financial statements, explaining that management<sup>7</sup> is responsible for the preparation of the summary financial statements in accordance with the applied criteria.
- (j) A statement that the auditor is responsible for expressing an opinion, based on the auditor's procedures conducted in accordance with this SA, on whether the summary financial statements are consistent, in all material respects, with [or are a fair summary of] the audited financial statements.
- (k) The auditor's signature.
- (l) The date of the auditor's report. (Ref: Para. A20)
- (m) The place of signature.

17. If the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial statements, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A18)

18. The auditor shall date the auditor's report on the summary financial statements no earlier than: (Ref: Para. A20)

- (a) The date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the summary financial statements have been prepared and those with the recognised authority have asserted that they have

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<sup>5</sup> Paragraphs 19-20, which deal with circumstances where the auditor's report on the audited financial statements has been modified, require additional elements to those listed in this paragraph.

<sup>6</sup> Or other term that is appropriate in the context of the applicable law or regulation.

<sup>7</sup> Or other term that is appropriate in the context of the applicable law or regulation.

taken responsibility for them; and

(b) The date of the auditor's report on the audited financial statements.

**Reference to the Auditor's Report on the Audited Financial Statements (Ref: Para. A23)**

19. When the auditor's report on the audited financial statements includes:

- (a) a qualified opinion in accordance with SA 705(Revised)<sup>8</sup>;
- (b) an Emphasis of Matter paragraph, or an Other Matter paragraph in accordance with SA 706(Revised)<sup>9</sup>;
- (c) A Material Uncertainty Related to Going Concern section in accordance with SA 570 (Revised);<sup>10</sup>
- (d) Communication of key audit matters in accordance with SA 701;<sup>11</sup> or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with SA 720 (Revised);<sup>12</sup>

and the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:

- (i) State that the auditor's report on the audited financial statements includes a qualified opinion, an Emphasis of Matter paragraph, an Other Matter paragraph, a Material Uncertainty Related to Going Concern section, communication of key audit matters, or a statement that describes an uncorrected material misstatement of the other information; and (Ref: Para. A21)
- (ii) Describe: (Ref: Para A22)
  - (a) The basis for the qualified opinion on the audited financial statements and the effect thereof, if any, on the summary financial statements,
  - (b) The matter referred to in the Emphasis of Matter paragraph or the Other Matter paragraph or the Material Uncertainty Related to Going Concern section in the auditor's report on the audited financial statements; and the effect(s) thereof, if any, on the summary financial statements; or
  - (c) The uncorrected material misstatement of the other information and the effect(s) thereof, if any, on the information included in a document containing the summary financial statements and the auditor's report thereon. (Ref: Para A15)

20. When the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion, the auditor's report on the summary financial

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<sup>8</sup> SA 705(Revised), Modifications to the Opinion in the Independent Auditor's Report.

<sup>9</sup> SA 706(Revised), Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

<sup>10</sup> SA 570(Revised), Going Concern, paragraph 22

<sup>11</sup> SA 701, Communicating Key Audit Matters in the Independent Auditor's Report

<sup>12</sup> SA 720(Revised), The Auditor's Responsibilities Related to Other Information, paragraph 22(e)(ii)



statements shall, in addition to the elements in paragraph 16:

- (a) State that the auditor's report on the audited financial statements contains an adverse opinion or disclaimer of opinion;
- (b) Describe the basis for that adverse opinion or disclaimer of opinion; and
- (c) State that, as a result of the adverse opinion or disclaimer of opinion on the audited financial statements, it is inappropriate to express an opinion on the summary financial statements. (Ref. Para A23)

### ***Modified Opinion on the Summary Financial Statements***

21. If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial statements, in accordance with the applied criteria, and management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements. (Ref: Para. A23)

### **Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting**

22. When distribution or use of the auditor's report on the audited financial statements is restricted, or the auditor's report on the audited financial statements alerts readers that the audited financial statements are prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on the summary financial statements.

### **Comparatives**

23. If the audited financial statements contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor's report on the summary financial statements. (Ref: Para. A24)

24. If the summary financial statements contain comparatives that were reported on by another auditor, the auditor's report on the summary financial statements shall also contain the matters that SA 710 requires the auditor to include in the auditor's report on the audited financial statements<sup>13</sup>. (Ref: Para. A25)

### **Unaudited Supplementary Information Presented with Summary Financial Statements**

25. The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity's presentation of the unaudited supplementary information is not clearly differentiated from the summary financial statements, the auditor shall ask management to change the presentation of the unaudited supplementary information. If management refuses to do so, the auditor shall explain in the auditor's report on the summary financial statements that such

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<sup>13</sup> SA 710, "Comparative Information—Corresponding Figures and Comparative Financial Statements".

information is not covered by that report. (Ref: Para. A26)

### **Other Considerations**

26. If the auditor becomes aware that the entity plans to state that the auditor has reported on summary financial statements in a document containing the summary financial statements, 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 financial statements in that document. (Ref: Para. A27)

27. The auditor may be engaged to report on the financial statements of an entity, while not engaged to report on the summary financial statements. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the financial statements audited by the auditor, the auditor shall be satisfied that:

- (a) The reference to the auditor is made in the context of the auditor's report on the audited financial statements; and
- (b) The statement does not give the impression that the auditor has reported on the summary financial statements.

If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary financial statements 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 financial statements in the document containing the summary financial statements, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor. (Ref: Para. A27)

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### **Application and Other Explanatory Material**

#### **Engagement Acceptance (Ref: Para. 5-6)**

A1. The audit of the financial statements from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this SA. Application of this SA will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial statements from which the summary financial statements are derived.

A2. Management's agreement with the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

**Criteria** (Ref: Para. 6(a))

A3. The preparation of summary financial statements requires management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial statements. Because summary financial statements by their nature contain aggregated information and limited disclosure, 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 financial statements do not exist.

A4. Factors that may affect the auditor's determination of the acceptability of the applied criteria include:

- The nature of the entity;
- The purpose of the summary financial statements;
- The information needs of the intended users of the summary financial statements; and
- Whether the applied criteria will result in summary financial statements that are not misleading in the circumstances.

A5. The criteria for the preparation of summary financial statements may be established by an authorised or recognised standards setting organisation or by law or regulation. Similar to the case of financial statements, as explained in SA 210<sup>14</sup>, in many such cases, the auditor may presume that such criteria are acceptable.

A6. Where established criteria for the preparation of summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that:

- (a) Adequately disclose their summarised nature and identify the audited financial statements;
- (b) Clearly describe from whom or where the audited financial statements are available or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation;
- (c) Adequately disclose the applied criteria;
- (d) Agree with or can be re-calculated from the related information in the audited financial statements; and
- (e) In view of the purpose of the summary financial statements, contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.

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<sup>14</sup> SA 210, "Agreeing the Terms of Audit Engagements", paragraphs A3 and A8-A9.

A7. Adequate disclosure of the summarised nature of the summary financial statements and the identity of the audited financial statements, as referred to in paragraph A6(a), may, for example, be provided by a title such as “Summary Financial Statements Prepared from the Audited Financial Statements for the Year Ended March 31, 20X1”.

#### **Evaluating the Availability of the Audited Financial Statements (Ref: Para. 8(g))**

A8. The auditor’s evaluation whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty is affected by factors such as whether:

- The summary financial statements describe clearly from whom or where the audited financial statements are available;
- The audited financial statements are on public record; or
- Management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial statements.

#### **Form of Opinion (Ref: Para. 9)**

A9. A conclusion, based on an evaluation of the evidence obtained by performing the procedures in paragraph 8, that an unmodified opinion on the summary financial statements is appropriate enables the auditor to express an opinion containing one of the phrases in paragraph 9. The auditor’s decision as to which of the phrases to use may be affected by generally accepted practice in the particular jurisdiction.

#### **Timing of Work and Events Subsequent to the Date of the Auditor’s Report on the Audited Financial Statements (Ref: Para. 12)**

A10. The procedures described in paragraph 8 are often performed during or immediately after the audit of the financial statements. When the auditor reports on the summary financial statements after the completion of the audit of the financial statements, the auditor is not required to obtain additional audit evidence on the audited financial statements, or report on the effects of events that occurred subsequent to the date of the auditor’s report on the audited financial statements since the summary financial statements are derived from the audited financial statements and do not update them.

#### **Information in Documents Containing Summary Financial Statements (Ref: Para. 14-15)**

A11. SA 720 (Revised) deals with the auditor’s responsibilities relating to other information in an audit of financial statements. In the context of SA 720 (Revised), other information is financial or non-financial information (other than financial statements and the auditor’s report thereon) included in an entity’s annual report. An annual report contains or accompanies the financial statements and the auditor’s report thereon.

A12. In contrast, paragraphs 14–15 deal with the auditor’s responsibilities relating to information included in a document that also contains the summary financial statements and the auditor’s report thereon. This information may include:

- Some or all of the same matters as those dealt with in the other information

included in the annual report (e.g., when the summary financial statements and the auditor's report thereon are included in a summary annual report); or

- Matters that are not dealt with in the other information included in the annual report.

A13. In reading the information included in a document containing the summary financial statements and the auditor's report thereon, the auditor may become aware that such information is misleading and may need to take appropriate action. Relevant ethical requirements<sup>15</sup> require the auditor to avoid being associated with information that the auditor believes contains a materially false or misleading statement, statements or information furnished negligently, or omits or obscures any information required to be included where such omission or obscurity would be misleading.

***Information in a Document Containing the Summary Financial Statements that Deals with Some or All of the Same Matters as the Other Information in the Annual Report***

A14. When information is included in a document containing the summary financial statements and the auditor's report thereon and that information deals with some or all of the same matters as the other information included in the annual report, the work performed on that other information in accordance with SA 720(Revised) may be adequate for the purposes of paragraphs 14–15 of this SA.

A15. When an uncorrected material misstatement of the other information has been identified in the auditor's report on the audited financial statements and that uncorrected material misstatement relates to a matter that is dealt with in the information in a document containing the summary financial statements and the auditor's report thereon, a material inconsistency between the summary financial statements and that information may exist or the information may be misleading.

***Information in a Document Containing the Summary Financial Statements that Deals with Matters Not Dealt with in the Other Information in the Annual Report***

A16. SA 720(Revised), adapted as necessary in the circumstances, may be helpful to the auditor in determining the appropriate action to respond to management's refusal to make necessary revisions to the information, including considering the implications for the auditor's report on the summary financial statements.

**Auditor's Report on Summary Financial Statements**

***Elements of the Auditor's Report***

*Title* (Ref: Para. 16(a))

A17. A title indicating the report is the report of an independent auditor, for example, "Report of the Independent Auditor", affirms that the auditor has met all of the relevant ethical requirements regarding independence. This distinguishes the report of the independent auditor from reports issued by others.

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<sup>15</sup> ICAI's Code of Ethics, paragraph 110.2

*Addressee (Ref: Para. 16(b), 17)*

A18. Factors that may affect the auditor's evaluation of the appropriateness of the addressee of the summary financial statements include the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

*Identification of the Summary Financial Statements (Ref: Para. 16(c))*

A19. When the auditor is aware that the summary financial statements will be included in a document that contains information other than the summary financial statements and the auditor's report thereon, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates.

*Date of the Auditor's Report (Ref: Para. 16(l), 18)*

A20. The person or persons with recognised authority to conclude that the summary financial statements have been prepared and take responsibility for them depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

*Reference to the Auditor's Report on the Audited Financial Statements (Ref: Para. 19)*

A21. Paragraph 19(i) of this SA requires the auditor to include a statement in the auditor's report on the summary financial statements when the auditor's report on the audited financial statements includes communication of one or more key audit matters described in accordance with SA 701.<sup>16</sup> However, the auditor is not required to describe the individual key audit matters in the auditor's report on the summary financial statements.

A22. The statement(s) and description(s) required by paragraph 19 are intended to draw attention to those matters and are not a substitute for reading the auditor's report on the audited financial statements. The required descriptions are intended to convey the nature of the matter(s), and need not repeat the corresponding text in the auditor's report on the audited financial statements in its entirety.

*Illustrations (Ref: Para.16, 19-21)*

A23. The Appendix to this SA contains illustrations of independent auditor's reports on summary financial statements that variously:

- (a) Contain unmodified opinions;
- (b) Are derived from audited financial statements on which the auditor issued modified opinions;
- (c) Contain a modified opinion;
- (d) Are derived from audited financial statements where the auditor's report thereon

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<sup>16</sup> SA 701, paragraph 13.

includes a statement describing an uncorrected material misstatement of the other information in accordance with SA 720 (Revised); and

- (e) Are derived from audited financial statements where the auditor's report thereon includes a Material Uncertainty Related to Going Concern section and communication of other key audit matters.

### **Comparatives (Ref: Para. 23-24)**

A24. If the audited financial statements contain comparatives, there is a presumption that the summary financial statements also would contain comparatives. Comparatives in the audited financial statements may be regarded as corresponding figures or as comparative financial information. SA 710 describes how this difference affects the auditor's report on the financial statements, including, in particular, reference to other auditors who audited the financial statements for the prior period.

A25. Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements.

### **Unaudited Supplementary Information Presented with Summary Financial Statements (Ref: Para. 25)**

A26. SA 700 (Revised)<sup>17</sup> contains requirements and guidance to be applied when unaudited supplementary information is presented with the audited financial statements that, adapted as necessary in the circumstances, may be helpful in applying the requirement in paragraph 25.

### **Other Considerations (Ref: Para. 26-27)**

A27. Other appropriate actions the auditor may take when management does not take the requested action may include informing the intended users and other known third-party users of the inappropriate reference to the auditor. The auditor's course of action depends on the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

## **Material Modifications *vis-a-vis* ISA 810(Revised), "Engagements to Report on Summary Financial Statements"**

### **Addition**

Paragraph 5 of ISA 810(Revised) requires the auditor to accept an engagement to report on summary financial statements in accordance with this ISA only when the auditor has been engaged to conduct an audit in accordance with ISAs of the financial statements from which the summary financial statements are derived. In India, in some cases, the auditor may be required by a law or a regulation governing the entity to report on summary financial statements even for such accounting periods for which the

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<sup>17</sup> SA 700 (Revised), "Forming an Opinion and Reporting on Financial Statements", paragraphs 51-52.

former was not engaged to conduct the audit in accordance with SAs of the financial statements pertaining to such accounting periods. For example, in case of the report of the auditor of the company to be included in a prospectus under Sub-Rule 4 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 issued under the Companies Act, 2013, such auditor might not necessarily have been the auditor of all or some of the financial statements of the company in respect of the accounting periods relating to which financial information has been reported upon by him/ her in the aforementioned report.

Accordingly, the word “ordinarily” has been added in paragraph 5 of this SA to cover these situations and correspondingly footnote no. 3 has also been added.



## Appendix

(Ref: Para. A23)

### Illustrations of Independent Auditor's Reports on Summary Financial Statements

- **Illustration 1:** An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which the summary financial statements are derived. The auditor's report on the audited financial statements includes a Material Uncertainty Related to Going Concern section and communication of other key audit matters.
- **Illustration 2:** An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived. The auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.
- **Illustration 3:** An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- **Illustration 4:** An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- **Illustration 5:** An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

**Illustration 1:**

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements of a listed company.
- Established criteria for the preparation of summary financial statements exist.
- The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- The auditor's report on the audited financial statements includes a Material Uncertainty Related to Going Concern section.
- The auditor's report on the audited financial statements includes communication of other key audit matters.<sup>18</sup>

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Opinion**

The summary financial statements, which comprise the summary balance sheet as at March 31, 20X1, the summary statement of profit & loss, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company Ltd. for the year ended March 31, 20X1.

In our opinion, the accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with the Accounting Standards referred to in section 133 of the Companies Act, 2013 and the accounting principles generally accepted in India<sup>19</sup>.

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by the Accounting Standards referred to in section 133 of the Companies Act, 2013 [applied in the preparation of the audited financial statements of ABC Company Ltd.]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

**The Audited Financial Statements and Our Report Thereon**

We expressed an unmodified audit opinion on the audited financial statements in our report dated 15 May 20X1. That report also includes:

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<sup>18</sup> As explained in paragraph 15 of SA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor's report in accordance with paragraph 22 of SA 570 (Revised).

<sup>19</sup> Or such other criteria, as may be agreed upon in the terms of the engagement.

- A Material Uncertainty Related to Going Concern section that draws attention to Note 6 in the audited financial statements. Note 6 of the audited financial statements indicates that ABC Company Ltd. incurred a net loss of Rs. ZZZ during the year ended March 31, 20X1 and, as of that date, ABC Company Ltd. current liabilities exceeded its total assets by Rs. YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial statements, indicate that a material uncertainty exists that may cast significant doubt on ABC Company Ltd. ability to continue as a going concern. These matters are addressed in Note 5 of the summary financial statements.
- The communication of other<sup>20</sup> key audit matters. [Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.]<sup>21</sup>

### **Management's Responsibility for the Summary Financial Statements**

The Board of Directors of the Company is responsible for the preparation of the summary financial statements in accordance with the Accounting Standards referred to in Section 133 of the Companies Act, 2013 and the accounting principles generally accepted in India<sup>22</sup>].

### **Auditor's Responsibility**

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with the Standard on Auditing (SA) 810(Revised), Engagements to Report on Summary Financial Statements.

For XYZ and Co.  
Chartered Accountants  
Firm's Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>23</sup>)  
Membership Number

Place of Signature

Date

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<sup>20</sup> In the circumstances where there is no material uncertainty related to going concern, inclusion of the word "other" in the statement for the communication of key audit matters would not be necessary.

<sup>21</sup> The auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the summary financial statements.

<sup>22</sup> Or such other criteria, as may be agreed upon in the terms of the engagement.

<sup>23</sup> Partner or Proprietor, as the case may be.

**Illustration 2:**

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements of a non-corporate entity.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- The auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Opinion**

The summary financial statements, which comprise the summary balance sheet as at March 31, 20X1, the summary statement of profit & loss, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC & Associates for the year ended March 31, 20X1.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements, on the basis described in Note X.

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC & Associates]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

**The Audited Financial Statements and Our Report Thereon**

We expressed an unmodified audit opinion on the audited financial statements in our report dated May 15, 20X2. [The audited financial statements are included in the 20X1 Annual Report. The auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of other information within Management's Discussion and Analysis of the 20X1 Annual Report. Management's Discussion and Analysis, and the uncorrected material misstatement of the other information therein, are also contained in the 20X1 Summary Annual Report.]

[Describe the uncorrected material misstatement of the other information].

### **Management's Responsibility for the Summary Financial Statements**

The management is responsible for the preparation of the summary financial statements on the basis described in Note X.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with the Standard on Auditing (SA) 810(Revised), Engagements to Report on Summary Financial Statements.

For XYZ and Co.  
Chartered Accountants  
Firm's Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>24</sup>)  
Membership Number

Place of Signature  
Date

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<sup>24</sup> Partner or Proprietor, as the case may be.

**Illustration 3:**

Circumstances include the following:

- A qualified opinion is expressed on the audited financial statements of a non-corporate entity.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Opinion**

The summary financial statements, which comprise the summary balance sheet as at March 31, 20X1, the summary statement of profit & loss, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC & Associates for the year ended March 31, 20X1. We expressed a qualified audit opinion on those financial statements in our report dated May 15, 20X1<sup>25</sup>.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or are a fair summary) of the audited financial statements, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC & Associates for the year ended March 31, 20X1.

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC & Associates]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

**The Audited Financial Statements and Our Report Thereon**

We expressed a qualified audit opinion on the audited financial statements in our report dated May 15, 20X1. The basis for our qualified audit opinion was that the management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from the Accounting Standard (AS) 2, "Valuation of Inventories". The company's records indicate that had

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<sup>25</sup> The positioning of this reference to the qualified opinion in the auditor's report on the audited financial statements in the Opinion paragraph on the summary financial statements assists users in understanding that although the auditor has expressed an unmodified opinion on the summary financial statements, the summary financial statements reflect audited financial statements that are materially misstated.

management stated the inventories at the lower of cost and net realisable value, an amount of Rs. XXX would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by Rs. XXX, and income tax, net income and shareholders' equity would have been reduced by Rs. XXX, Rs. XXX and Rs. XXX respectively.

### **Management's Responsibility for the Summary Financial Statements**

The management is responsible for the preparation of the summary financial statements on the basis described in Note X.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810(Revised), Engagements to Report on Summary Financial Statements.

For XYZ and Co.  
Chartered Accountants  
Firm's Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>26</sup>)  
Membership Number

Place of Signature

Date

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<sup>26</sup> Partner or Proprietor, as the case may be.

**Illustration 4:**

Circumstances include the following:

- An adverse opinion is expressed on the audited financial statements of a non-corporate entity.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Denial of Opinion**

The summary financial statements, which comprise the summary balance sheet as at March 31, 20X1, the summary statement of profit & loss, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC & Associates for the year ended March 31, 20X1.

As a result of the adverse opinion on the audited financial statements discussed in the "Audited Financial Statements and our Report Thereon" section of our report, it is inappropriate to express an opinion on the summary financial statements.

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC & Associates]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

**The Audited Financial Statements and Our Report Thereon**

In our report dated May 15, 20X1, we expressed an adverse audit opinion on the audited financial statements of ABC & Associates for the year ended March 31, 20X1. The basis for our adverse audit opinion was [describe basis for adverse audit opinion].

**Management's Responsibility for the Summary Financial Statements**

The management is responsible for the preparation of the summary financial statements on the basis described in Note X.



**Auditor’s Responsibility**

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810(Revised), Engagements to Report on Summary Financial Statements.

For XYZ and Co.  
Chartered Accountants  
Firm’s Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>27</sup>)  
Membership Number

Place of Signature

Date

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<sup>27</sup> Partner or Proprietor, as the case may be.

**Illustration 5:**

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements of an unlisted company.
- Established criteria for the preparation of summary financial statements exist.
- The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

**REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS**

[Appropriate Addressee]

**Adverse Opinion**

The summary financial statements, which comprise the summary balance sheet as at March 31, 20X1, the summary statement of profit & loss, and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company Ltd. for the year ended March 31, 20X1.

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion section, the accompanying summary financial statements are not a fair summary of the audited financial statements of ABC Company Ltd. for the year ended March 31, 20X1, in accordance with the Accounting Standards referred to in section 133 of the Companies Act, 2013 and the accounting principles generally accepted in India.

**Basis for Adverse Opinion**

[Describe matter that caused the summary financial statements not to be a fair summary of the audited financial statements, in accordance with the applied criteria.]

**Summary Financial Statements**

The summary financial statements do not contain all the disclosures required by the Accounting Standards referred to in section 133 of the Companies Act, 2013 [applied in the preparation of the audited financial statements of ABC Company Ltd]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

**Management's Responsibility for the Summary Audited Financial Statements**

The Board of Directors of the Company is responsible for the preparation of the summary financial statements in accordance with the Accounting Standards referred to in section 133 of the Companies Act, 2013 and the accounting principles generally accepted in India.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on whether the summary financial statements are a fair summary of the audited financial statements based on our procedures, which were conducted in accordance with Standard on Auditing (SA) 810(Revised), “Engagements to Report on Summary Financial Statements” issued by the Institute of Chartered Accountants of India.

For XYZ and Co.  
Chartered Accountants  
Firm’s Registration Number

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>28</sup>)  
Membership Number

Place of Signature

Date

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<sup>28</sup> Partner or Proprietor, as the case may be.