Practitioner’s Guide to Audit of Small Entities

The economic profile of the accountancy firms in India is marked by the overwhelming majority of small firms. At the last count, of approximately 45,700 accountancy firms in India, nearly 31950 (that is closer to 70 per cent) were sole proprietorship firms. These firms are marked by limitations in terms of physical, financial and human resources, operating also in far flung non metros of the country. Their clients too are more or less small and medium enterprise with relatively simpler and less voluminous transactions and accounting issues. Though the Board has always maintained a stand that auditing principles apply universally to all types of clients, big or small, and to all types of practitioners, sole proprietors or the large partnership accountancy firms, yet implementation of the high quality and stringent principle based engagement standards issued by the Institute may pose certain challenges to audit of small clients. In view of the above, Board has published a Practitioner's Guide to Audit of Small Entities, again a first of its kind publication. The Guide is a step by step approach to audit of small clients which display the peculiarities listed in the Guide. The Guide is based on “model working papers” format beginning from engagement acceptance, administration of audit, planning and control, working papers, balance sheet items, items of the profit and loss account. The Guide also contains checklists for Standards on Auditing, disclosures relating to investments, illustrative letters of confirmation of inventories held by others, confirmation of accounts receivables, disclosures under Accounting Standards. The Guide comes with a CD of the entire Guide to ensure ease of reference and reusability.

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