

50 Most common phrases/words used while answering SAs.

Meaning and application are given in student friendly words so that they remember the phrases. The meaning given under each phrase is not the official definition. This document helps in increasing the quality of the answers. For detailed concepts, students should refer the study material.

1. Professional Judgment and experience

Application- to be used while writing subjective answers on factors to be considered.

2. Professional skepticism

Meaning: Questioning mind and maintaining alertness.

Application: to be used while answering on auditor's approach/attitude

3. Applicable financial reporting framework

Meaning: Guideline applicable to the entity for preparation of financial statements e.g AS/IND AS + Sch. III of companies act, 2013

Application: while answering on financial items or any accounting treatment or disclosure of any transaction/balance/disclosure.

4. Materiality

Meaning: Significant/important

Application: used throughout SAs while answering on audit planning, execution or reporting.

5. Material misstatement

Meaning: incorrect amount, classification, presentation or disclosure.

Application: to be used as a phrase in many audit answers especially in SA 500 series where auditor obtains evidence to identify whether FS are free from material misstatements. Also used in forming opinion and answering case studies.

6. Withdraw from the engagement, if considered appropriate and legally permissible.

Meaning: to resign from audit

Application: whenever mgmt tried to restrict the scope or does not permit to perform procedures without valid reasons.

7. Discuss the matter with those charged with Governance (TCWG).

Meaning: To have a word with top mgmt/Board of directors/ Audit committee who is accountable for that entity.

Application: one of the most frequently used phrase whenever there is an evidence that does not tally or lower mgmt is not co-operating or there is a significant observation which needs to be discussed.

8. Audit documentation/ working papers.

Application: it can be used a supporting point in many answers. Any evidence based or discussion based Question should always have this phrase as one of the points.

9. Assertions regarding transactions, balances and disclosure.

Meaning: whatever mgmt has explained regarding p/l and b/s items along with their notes to accounts.

Application: Auditor need to obtain audit evidence to verify Management's assertions regarding

transactions, balances and disclosure.

10. Sufficient and appropriate audit evidence.

Meaning: Quantity of the information and Relevance and reliability of the information

Application: most frequently used phrase while performing audit procedures.

11. Limitation on scope of audit due to circumstances

Meaning: Even though management is co-operating but situations are such that satisfactory evidence is not available.

Application: Whenever evidence is not obtained and reasons given by management are valid and alternate evidence is also not available then we say "Limitation on scope of audit due to circumstances and not by the management"

12. Consider an impact on audit opinion as per SA 705

Meaning: SA 705 deals with qualified, adverse and disclaimer of an opinion.

Application: Written as concluding lines when material misstatements are not rectified or satisfactory evidence itself is not obtained (refer audit report notes thoroughly)

13. Evaluate implications on audit

Meaning: Effect on audit engagement, whether we want to continue or not.

Application: whenever management denies any evidence or does not rectify the misstatements or creates limitation then we use this statement.

14. Inquire of mgmt and tcwg

Meaning: ask questions about a particular financial item or a business process.

Application: One of the most commonly used phrase while performing audit procedures especially risk assessment procedure.

15. Risk of material misstatement (ROMM)

Meaning: Chances of significant error or fraud in a particular financial item or in the overall financial statement

Application: In all such questions dealing with "Factors to be considered.." this phrase is always used as one of the points because auditor's whole approach depends upon his analysis of risk of material misstatement.

16. Risk assessment procedure as per SA 315

Meaning: procedures performed to evaluate the ROMM in any given situation. It is discussed in SA 315

Application: in many SAs especially 500 series, SA 402, 250 etc. This is one of the procedures to be performed followed by further audit procedures to obtain sufficient and appropriate audit evidence

17. Auditor' responses to the assessed risks as per SA 330

Meaning: After performing risk assessment procedures, auditor needs to react(respond) to the risk assessed (expected error/fraud) i.e. he should test in-depth where RoMM is high.

Application: in many SAs especially SA 500 series and SA 402, 250 etc.. this is a procedure to

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be performed immediately after risk assessment procedure.

18. Evaluating internal control system

Meaning: process implemented by Management to prevent and detect/correct fraud/error

Application: auditor's approach heavily depends upon entity's internal control system. Weaker the system, indepth examination is required. So it can be used as a reference in almost every answer of audit evidence or auditor's approach.

19. Testing the Operating effectiveness of controls

Meaning: whether controls are functioning as desired and whether there is any scope of improvement

Application: while writing on test of controls always use this phrase.

20. Applicable laws and regulations

Application: it is one of the biggest "factors" on which audit depends. "To check compliance with.."

21. Overall objective of audit:

Meaning: To express an opinion whether FS is as per AFRF and whether FS are free from material misstatements.

Application: to be used as a supporting phrase while explaining basic concepts on auditing

22. Perform additional audit procedures

Application: to extend the procedures whenever there is an inconsistency between audit evidence and the info in FS or Books of accounts(BOA)

23. Perform alternate audit procedures

Application: to obtain another satisfactory evidence when the intended evidence is not available

24. Re-evaluate reliability and integrity of management

Application: to be used as a reference when management refuses to give data and it is not supported by valid reasons or management is trying to override the accounting system or internal controls

25. Consider possibility of fraudulent financial reporting or misappropriation of assets

Application: to be used as a reference when management refuses to give data and it is not supported by valid reasons or management is trying to override the accounting system or internal controls

26. Obtain reasonable assurance

Meaning: to obtain sufficient and appropriate audit evidence (not a conclusive 100% proof everytime)

27. Provide reasonable assurance

Meaning: to express an audit opinion with high assurance but not a guarantee.

28. Request written representations from management as per SA 580

Meaning: Written statement signed by management and addressed to the auditor

Application: it is used as a reference in many SAs because auditor can request this as per his requirement. So its always advisable to write this point in answers.

29. Evaluate the adequacy of the work performed by others.

Application: Favourite phrase in SA 600 series.

30. Nature, timing and extent of audit procedures

Application: most commonly used phrase (what? How? When? How much?) These procedures are used to obtain sufficient and appropriate audit evidence.

31. Engagement team

Partner assigned to audit, assigned articles, other employees/partner of the auditor specifically working on the given audit.

Application: frequent point while answering on audit strategy, auditor's approach etc.

32. Engagement partner

Partner who acts and signs on behalf of the firm

33. Inquire, identify, understand, evaluate

Common phrases for risk assessment procedure

34. Inspect, examine, verify, obtain evidence about..

Common phrases for further audit procedures

35. Reduce audit risk to an acceptably low level

To ensure audit opinion is appropriate although not accurate.

36. Inherent limitations of audit

Unavoidable risks due to which we cannot give a guarantee.

Application: for case studies dependent on fraud when we need to explain clearly the auditor's responsibilities.

37. "Misstatement Whether due to fraud or error"

Whenever u write misstatement, it should be a habit to add the phrase whether due to fraud or error at the end.

38. Material, either individually or when aggregated,

Most common phrase while writing points on materiality because materiality is a relative term.

39. Compliance with ethical requirements such as independence, integrity and objectivity.

Independence- uninfluenced

Integrity- honesty

Objectivity- unbiased approach

Application: Used when 1) we have to answer on auditor's ethical responsibilities and 2) While using the work performed by others.

40. Persuasive/Corroborative evidence .

Convincing/ satisfactory evidence.

41. Material but not pervasive

Significant but does not impact overall financial statements.

42. Modification to the opinion

Negative remark on true and fair view- Qualified/Adverse/Disclaimer of an opinion. Refer SA 705 notes thoroughly.

43. Compliance procedure/ test of controls

To be used while answering on further audit procedures.

44. Substantive procedure/ test of details

To be used while answering on further audit procedures.

45. Completeness.

No error of omission. To be used while answering audit procedure on verifying financial items.

46. Reasonableness

Supported by reasonable justification. To be used while answering procedures on estimates/assumptions.

47. Presentation and disclosure

it should be as per Applicable financial reporting framework

48. Firm's system of quality control

Steps taken by engagement partner to ensure that firm complies with ethical requirements.

49. Form a conclusion thereon

To be used as a phrase in any evidence based SA

50. Failure to achieve an objective

Satisfactory evidence not available

51. Departure from..

Following something that is different from what is prescribed in professional standards.

52. Deviation from prescribed controls

It means employees are not following the controls prescribed by the management.