

Audit assertions

Audit tests are designed and conducted to obtain evidence about FS assertions. FS assertions are the representations of the directors that are contained in the FS i.e. they 'assert' specific features of the FS and the information therein.

Financial statement assertions are features relevant to items (in the FS) about which audit evidence is required.

To form an opinion, the auditor should obtain evidence to support the FS assertions.

FS assertions are as follows:

- **Existence:** (of balance) of assets and liabilities or equity as at a given date e.g. tangible non-current assets, inventories, trade receivables, cash and cash equivalents exist as at 30 June 2007. Auditors should ensure that an asset or liability exists at a given date.
- **Rights and obligations:** e.g. an asset belongs to an entity if it has legal rights over them. A liability belongs to the entity if it has an obligation relating to that liability. The auditor must ensure that all assets and liabilities of the entity are reflected in the FS and those that are not of the entity are excluded. E.g. asset on business premises (for repairs purpose) which do not belong to the entity must be excluded.
- **Occurrence:** (transactions). A transaction or event occurred during the relevant period which pertains to the reporting entity.
- **Completeness:** there are no unrecorded assets, liabilities, transactions and events.
- **Valuation:** (balance). Assets and liabilities are recorded at the appropriate carrying value e.g. building carrying value = initial cost + revaluation increase - depreciation - impairment loss.
- **Measurement** (transactions). A transaction or event relating to the income statement is recorded at the proper amount and in the correct accounting period.
- **Presentation and disclosures** (of FS) transactions and events have been recorded in the proper accounts. All accounting treatments must be according to legislation. Accounting standards.

Assertions about transactions and events for the period	Assertions about balances at period end	Assertions about presentation and disclosures in the FS
Occurrence	Existence	Completeness
Completeness	Rights and obligations	Classification
Accuracy	Completeness	Understandable
Cut off	Valuation and allocation	Accuracy and valuation
classification		Rights and obligations
		Occurrence