

Significance of SA 500, 315, 330, 450, 240 & 402

SA 500 - Audit Evidence, SA 315 Risk Assessment Procedure and Related Activities & SA 330 The Auditor's Responses To Assessed Risks are three most important Standards on Auditing.

On detail scrutiny student may come to following conclusion.

1. SA 500 gives the auditor these weapons Inspection, Recalculation, Observation, Reperformance, Analytical Procedure, Inquiry, & External Confirmations,
2. After conducting Risk Assessment Procedure and Related Activities in accordance with SA 315 Identifying and Assessing The Risk of Material Misstatement Through Understanding The Entity and Its Environment, the auditor comes to know vulnerable area from audit point of view.
3. Now the auditor has identified & Assessed Misstatements & he has weapons also. He just need to set each & every misstatement. He has to use several weapons against several misstatements. Which weapon is most appropriate for misstatements, those are explained in SA 330 under the head "Overall Responses"
4. SA 450 is practically performed by each one of us. It's procedure to be followed while evaluating the misstatements during the audit.
5. SA 240 is the combination of SA 315, SA 330 & SA 450 for FRAUD.
6. SA 402 is the combination of SA 315, SA 330 & SA 450 for the audit of Service organizations.

Here is the memory tip in SA 500 Methods of obtaining Audit evidences

Memory Tip :- Institute RO RAIE.

Institute - Inspection;

R - Recalculation;

O - Observation;

R - Reperformance;

A - Analytical Procedure;

I - Inquiry; &

E - External Confirmations.

Note - This procedure of SA 500, 315, 330 & 450 is practically followed in the big CA firms.

Very important to note that most of the SA are of such kind that name of the SA suggest their objectives or the objectives of an auditor & then objectives in turn are elaborated in SA.

Therefore reading & understanding objectives is MOST IMPORTANT.

MY SINCERE APOLOGY FROM ICAI TO MAKE IT CRY IN A MEMORY TIP.