

SA 320 → materiality in planning (a) performing audit.

Concept of materiality in the Context of audit.

(a) A discussion present in the ICF provides a reference to the auditor in determining materiality for the audit.

If ICF do not include a discussion following can be followed.

(1) # misstatements including omissions are considered to be material if

they are individually (a) or in aggregate (b) the economic decisions of users of FST.

(2) # Judgments about materiality are:

made in the light of surrounding circumstances

And are affected by

- (a) size & nature of a misstatement
- (b) Combination of both.

(3) # Judgments about matters that are material to users of FST are:

based on a consideration of

- (a) not based on common financial ICF needs of users as a group
- (b) not based on individual needs.

(b) The auditor's determination of materiality is a matter of FJ and is affected by auditor's perception of financial ICF needs of users of FST.

(c) The concept of materiality is applied by the auditor in:

- planning
- performing
- audit

evaluating the effect of identified misstatements on audit.

unconnected misstatements

focusing opinion in Audit fees support.

(d) Judgment of materiality provides a basis for:

- Determining:
 - NTE of IAP
 - NTE of IAP
- Identifying & assessing RMM.

Concept of materiality: Performance Materiality.

The aud. (a) set by the auditor.

at less than the materiality for FST of a whole

To reduce to an appropriately low level

If applicable, performance materiality also satisfies:

The aud. (a) set by the auditor

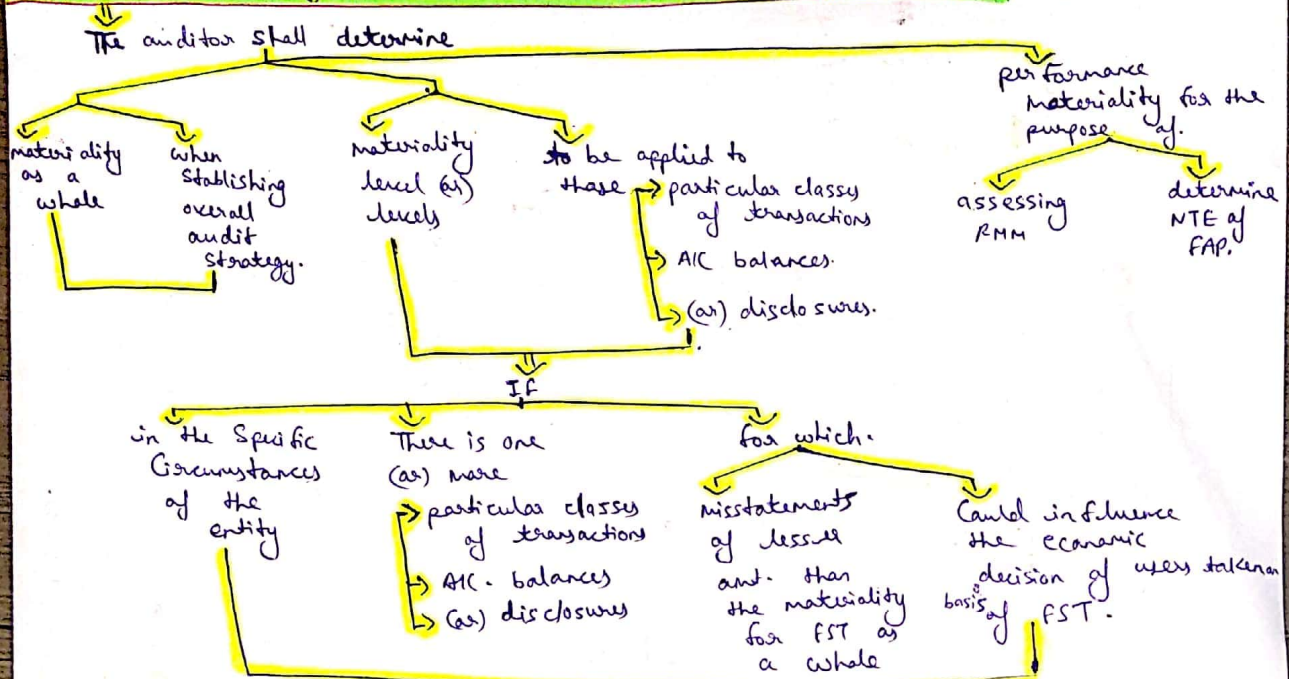
at less than the materiality level

particular class of transactions.

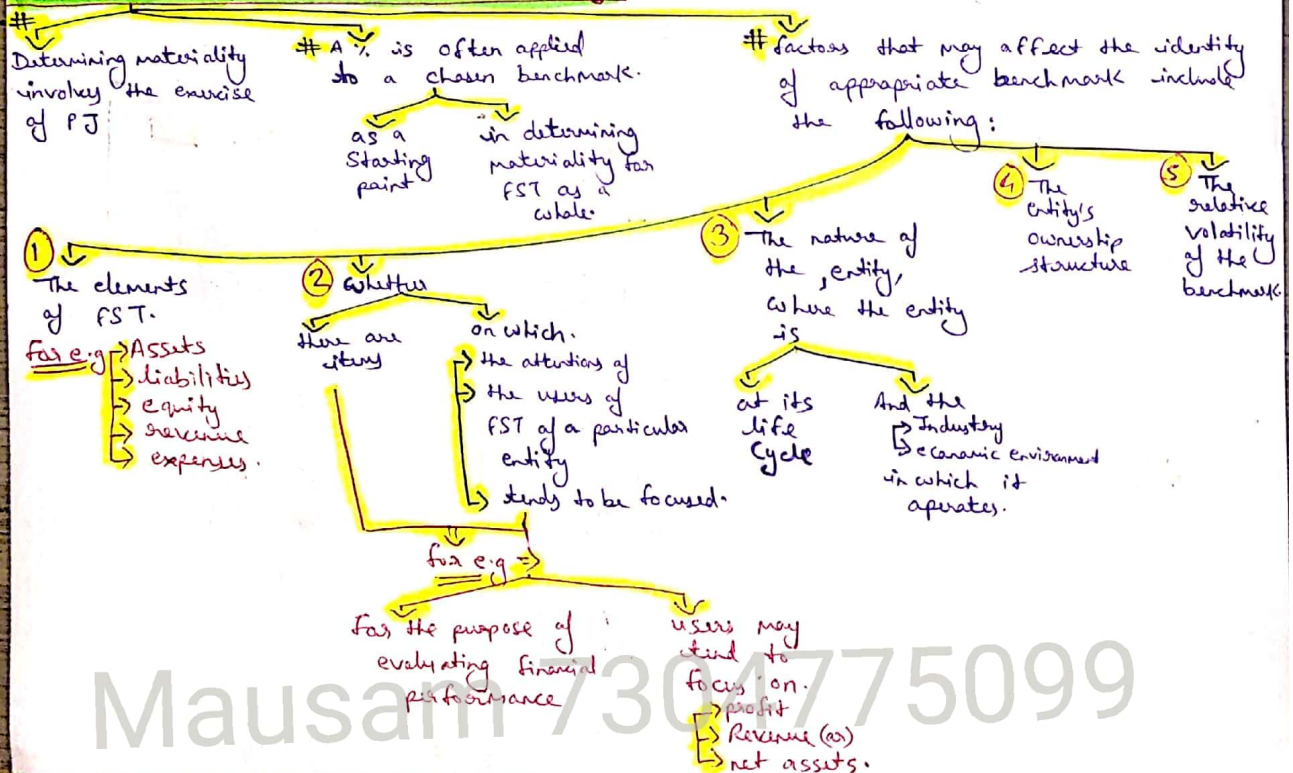
ATC balances (a) disclosures.

the probability that the aggregate of unconnected (a) undetected misstatements exceeds materiality for FST or a whole.

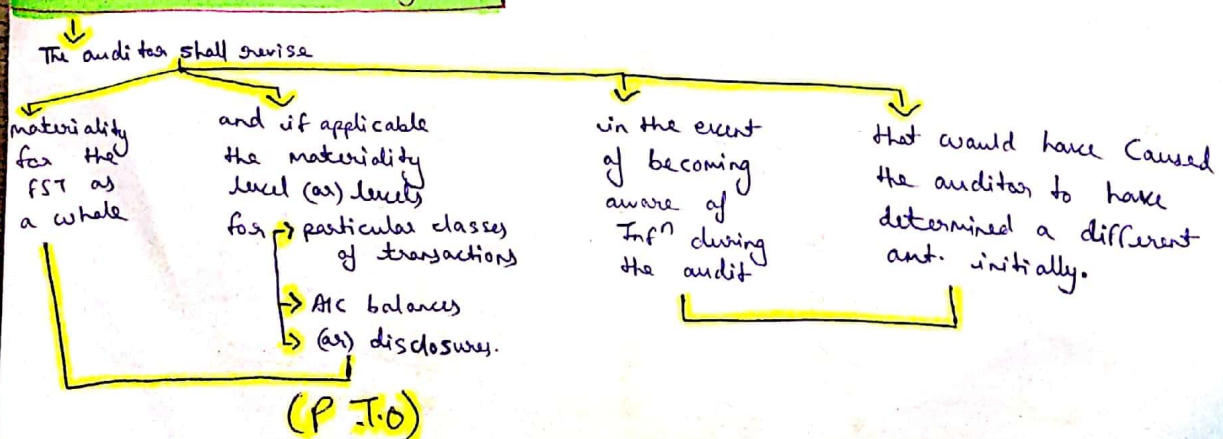
Determining materiality (or) performance materiality when planning the audit.



Use of benchmark in determining materiality.



Revision as the audit progresses.



If the auditor concludes that laws

materiality for FST as a whole

(2) if applicable materiality level

(a) level for particular class of transactions
(b) balances
(c) disclosure

than that initially determined is appropriate

The auditor shall determine whether

(i) it is necessary to revise performance materiality

(ii) The NTE of FAP remain appropriate.

Audit planning (2) materiality.

materiality

is an imp consideration for an auditor

to evaluate whether the FST reflects true (a) fair view (a) not

SA 320 requires that an auditor should

consider.

materiality

(a) its relationship with audit risk

while conducting an audit.

when planning the audit.

The auditor considers what would make the financial info materially misstated.

The auditor's preliminary assessment of materiality

related to
specific MC balances
(a) classes of transactions.

helps the auditor to decide such questions as

what items to examine
(a) whether to use sampling
(b) analytical procedures.

It may be noted that

the auditor's assessment of materiality (a) audit risk

may be diffⁿ

at the time of initially planning audit

against the time of evaluating the results of audit procedures.

This enable the auditor

to select audit procedures

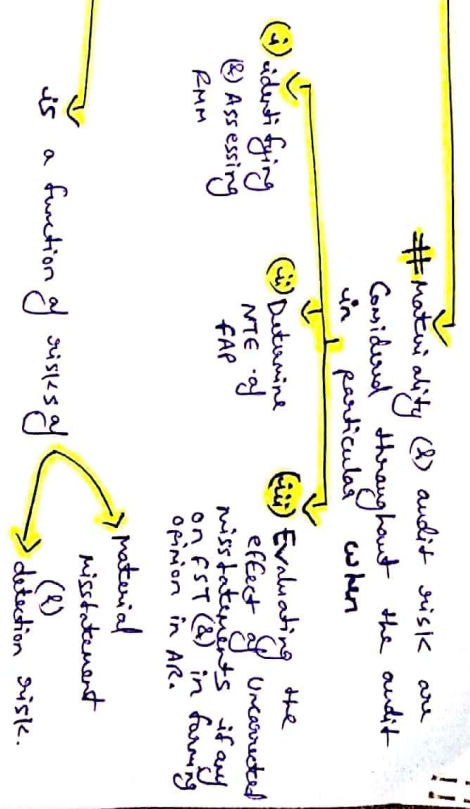
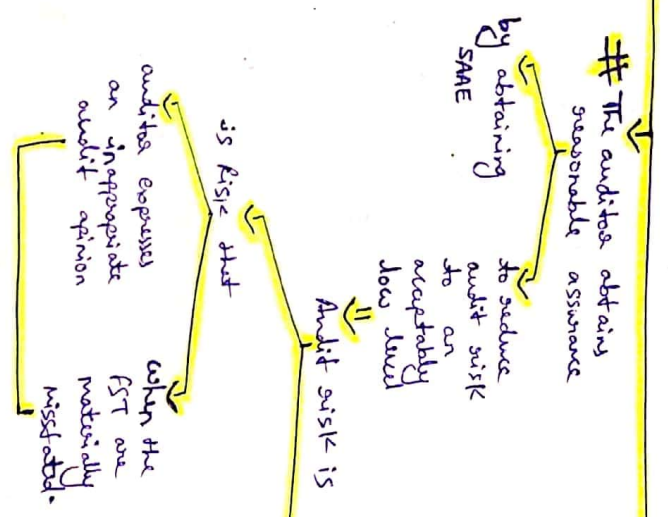
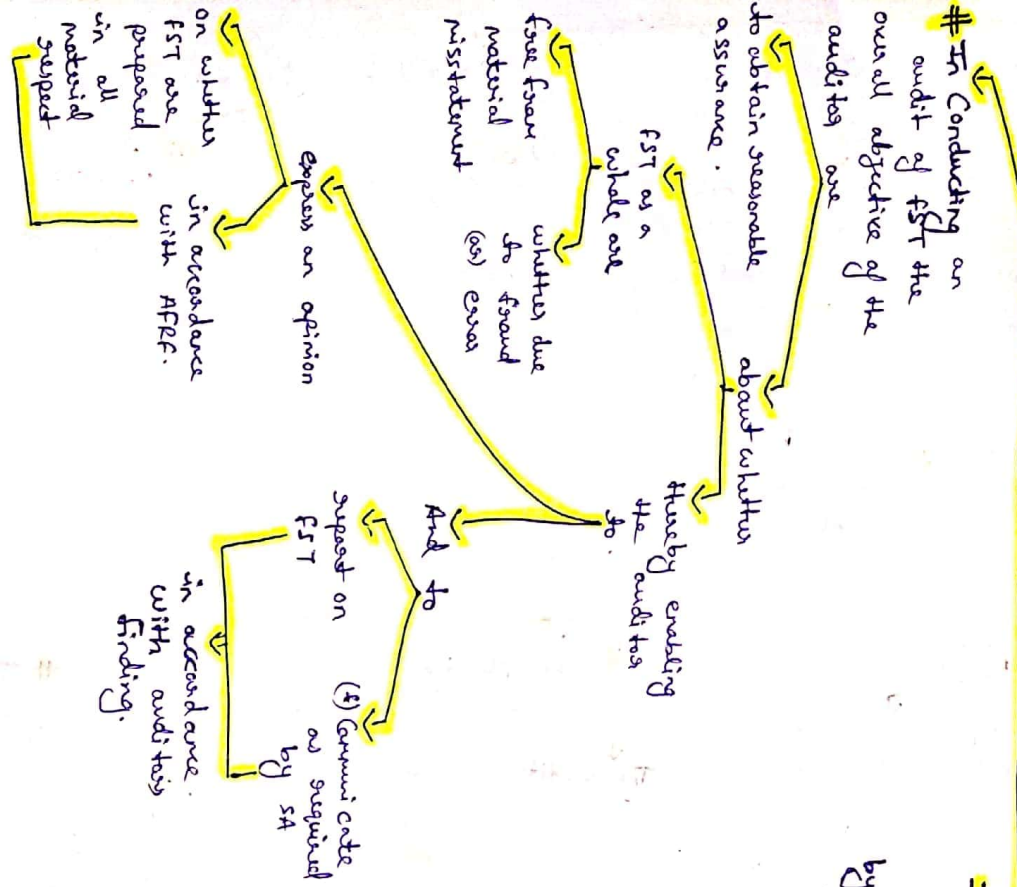
that in combination.

can be expected to support the audit opinion

at an acceptably low degree of audit risk.

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Materiality and audit risk



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