



ISA 510

Initial Audit Engagement - Opening balance

Applicability:

An engagement in which either:

The financial statements for the prior period were not audited; or The financial statements for the prior period were audited by a predecessor auditor.

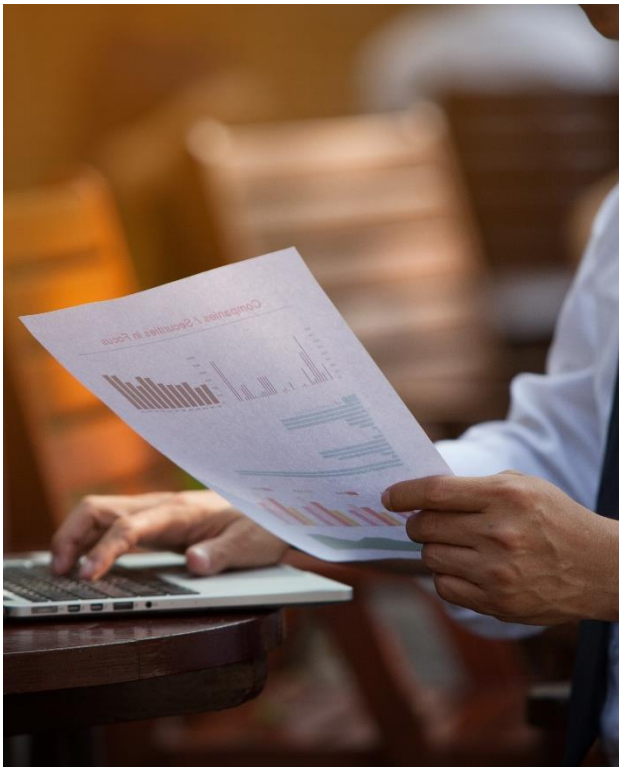
Scope:

ISA 510 deals with auditor's responsibilities relating to opening balances when conducting an initial audit engagement.

Objectives of the auditor:

To obtain sufficient and appropriate audit evidence about whether

- Opening balances contain misstatements that materially affect the current period's financial statements; and
- Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period FS, or changes thereto are properly accounted for, presented and disclosed in accordance with the applicable financial reporting framework.



Audit procedures to be performed as per ISA 510 :

When prior period financial Statements are audited by predecessor auditor

Obtain opening Trial balance



to determine whether prior period balances have been correctly brought forward.

Review the prior period financial statements



- To identify any significant disclosures.
- To ensure consistent application of accounting policies from the prior period financials.

Review important documents



- (like Audit Report, Statement of uncorrected misstatements, management Letter etc.)
- For any significant observations is to be noted.

2 approaches can be followed here



- Review of predecessor auditor's workpaper.
- or
- In detail testing of opening balances.

Initial Audit Engagement - Opening balance

Audit procedures to be performed as per ISA 510 :

Test all above performance materiality balances

Examples

For receivables/payables



- Ageing report can be obtained for prior period; or
- Subsequent testing for all material balances

For bank balances



- For bank balances

For fixed assets/investments/long term debt



- Obtain fixed asset register/ investment, share certificate/ loan agreement



Audit Conclusion and Reporting

If auditor is unable to obtain audit evidence regarding opening balances



Qualified/Disclaimer opinion

If

Opening balances contain misstatements /not properly presented or disclosed

Accounting policies are not consistently applied in relation to opening balances

Modification in predecessor's auditor report is relevant and material to the current period's financial statements

Qualified/ Adverse opinion

Authors



Nidhi Joshi

Manager, NL
International Assurance &
Accounting Advisory

 nidhi.joshi@knavcpa.com


 (+91) 88792 12686



Ashraf Reshamvala

Country Manager, NL & UK
International Assurance &
Accounting Advisory

 ashraf.reshamvala@knavcpa.com


 + 31 (0) 6 19676165



Sayli Surve

Assistant Manager
International Assurance &
Accounting Advisory

 sayli.surve@knavcpa.com

 (+91) 90826 52742

Netherlands Office:

Netherlands

Fokkerstraat 12, 3833 LD Leusden, The Netherlands

Other offices: USA | India | Singapore | Canada | UK

KNAV

PARTNERS BEYOND BOUNDARIES

KNAV International Limited is a global association of independent firms. Its key objective is to serve accounting and consulting member firms with an internationally recognized presence as a charter international umbrella organization experienced in all phases to offer a complete suite of public accounting services which includes set up, accounting, assurance, taxation, international transfer pricing, global risk consulting, and business advisory services. It also aims to facilitate seamless business growth through mergers and acquisitions. In assurance services, it offers attest (audit under various country GAAS and certification services) and accounting advisory (US GAAP, IFRS, Indian GAAP, IND As, various country GAAP & accounting opinions). Under Tax & regulatory services, it provides domestic & international, direct & indirect tax advisory; compliance and outsourcing (including payroll, accounting & secretarial); transfer pricing (including documentation study and country by country reporting, global search, accountant's report); and inbound & outbound. Further to that, KNAV offers specialist advisory services for transaction support (due diligence & valuations), lead advisory, strategic advisory & fiduciary services. KNAV also provide risk advisory services, which encompasses internal audits & management assurance; assessment of internal financial controls (IFCs/IFCR in India, SoX, SOC); enterprise-wide risk management; forensic & investigative services; primary and secondary research services and human resource advisory (including recruitments).

KNAV refers to one or more member firms of KNAV International Limited, which itself is a not-for-profit, non-practicing, non-trading corporation incorporated in Georgia, USA. KNAV International Limited is a charter umbrella organization ("The Charter Association") that does not provide services to clients. Each firm within KNAV's association of member firms, is a legally separate and independent entity. Services of audit, tax, valuation, risk, and business advisory are delivered by KNAV's independent member firms in their respective global jurisdictions. All member firms of Charter Association in India, North America and the United Kingdom are a part of US\$ 2.01 billion, US headquartered Allinial Global, which is an accounting firm association that provides a broad array of resources and support for its member firms across the globe.