

ANALYTICAL PROCEDURES: CAS 520

Definition

- Analytical procedures = evaluations of financial information through **analysis of plausible relationships** among both financial and non-financial data. A
- Analytical procedures also encompass **investigation of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values** by a significant amount

Substantive Analytical Procedures

- When designing and performing **substantive analytical procedures**, the auditor shall:
 - Determine the **suitability of particular substantive analytical procedures** for given assertions, taking account of the risks of material misstatement and tests of details
 - Evaluate the **reliability of data** from which the auditor's expectation or ratios is developed, taking account of **source, comparability, and nature and relevance** of information available, and **controls** over preparation
 - Develop an **expectation of recorded amounts or ratios** and evaluate if the expectation is precise to identify a misstatement that may cause the F/S to be materially misstated
 - Determine the amount of **any difference of recorded amounts from expected values that is acceptable without further investigation**

Analytical Procedures that Assist When Forming an Overall Conclusion

- Perform analytical procedures **near the end of the audit** when forming an overall conclusion as to whether the F/S are **consistent with the auditor's understanding of the entity**

Investigating Results of Analytical Procedures

- If analytical procedures performed identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the auditor should investigate by:
 - (a) **Inquiring of management** and obtaining appropriate **audit evidence relevant to management's responses**; and
 - (b) Performing **other audit procedures** as necessary