Example: Financial statement assertions

Foreword

The following is a summary of assertions regarding the recognition, measurement, presentation and disclosure of the various elements of the financial statements.

In representing that, the financial statements have been prepared in accordance with the applicable financial reporting framework, management and those charged with governance implicitly or explicitly make these assertions.

Management and those charged with governance rely on the entity's internal controls and specific advice from the CFO and other senior managers on the integrity of entity processes to be satisfied that these assertions are valid in the preparation of the entity's financial statements.

Assertions in relation to classes of transactions and events for the period under audit:

Assertion	Description
Occurrence	Transactions and events that have been recorded have occurred and pertain to the entity.
Completeness	All transactions and events that should have been recorded have been recorded.
Accuracy	Amounts and other data relating to recorded transactions and events have been recorded appropriately.
Cut-off	Transactions and events have been recorded in the correct accounting period.
Classification	Transactions and events have been recorded in the proper accounts.
Compliance	Transactions and events have been carried out in accordance with applicable laws, regulations or other authority (relevant to public sector entities).

Assertions in relation to account balances at period end:

Assertion	Description
Existence	Assets, liabilities and equity interests exist.
Rights and obligations	The entity holds or controls the rights to assets, and liabilities are the obligations of the entity.
Completeness	All assets, liabilities and equity interests that should have been recorded have been recorded.
Valuation and allocation	Assets, liabilities, and equity interests are included in the financial report at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Assertions in relation to presentation and disclosure:

Assertion	Description
Occurrence and rights and obligations	Disclosed events, transactions, and other matters have occurred and pertain to the entity.
Completeness	All disclosures that should have been included in the financial report have been included.
Classification and understandability	Financial information is appropriately presented and described, and disclosures are clearly expressed.
Accuracy and valuation	Financial and other information are disclosed fairly and at appropriate amounts.

Source: Adapted from the Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment.*