

**CICA handbook accounting and auditing
highlight summary no. 82
December 1994**

HIGHLIGHT SUMMARY

(Note: New Handbook material or changes in existing material are identified in each HANDBOOK REVISIONS RELEASE.)

EIC Abstracts

- Identifiable assets acquired in a business combination

Misstatements — illegal acts, Section 5136

This new section provides guidance to auditors about material misstatements arising from the consequences of illegal acts in addition to that provided in AUDITOR'S RESPONSIBILITY TO DETECT AND COMMUNICATE MISSTATEMENTS, Section 5135. Additional guidance is provided in Section 5136 because the special nature of illegal acts significantly affects the auditor's ability to detect illegal acts and material misstatements arising from the consequences of illegal acts. Section 5136 states that the auditor should:

- apply his or her knowledge of the client's business and make enquiries of management to identify laws and regulations which, if violated, could reasonably be expected to result in a material misstatement in the financial statements;
- consider the likelihood of a violation of such laws or regulations when assessing inherent risk;
- enquire of and obtain a written representation from management to confirm that either management is not aware of any illegal or possibly illegal acts or that management has disclosed to the auditor all facts related to illegal or possibly illegal acts; and
- ensure that the audit committee and other appropriate levels of management are informed when the auditor has obtained evidence which indicates an illegal or possibly illegal act, other than one considered inconsequential, may have occurred.

The new Recommendations are effective for financial statements and reports for periods commencing on or after January 1, 1995.

[Terms and Conditions](#) and [Privacy Policy](#)

Help desk: Mon-Fri, 9am-5pm ET 1-866-256-6842 [Contact Us](#) [Quick Reference Guide](#)

© 2001-2025, Knotia Canada Limited Partnership All rights reserved.