

Course Number: ACFN 411
Course Title: AUDITING PRINCIPLE AND PRACTICES I
Credit Hour: 3 hours
ECTS: 5

I. DESCRIPTION OF THE COURSE

The emphasis of this course is on conceptual, theoretical and practical aspects of auditing financial statements. The course is designed to develop knowledge, understanding, and practical application of core external audit processes based on the principles of international auditing standards.

The course commences with an introduction to assurance and auditing and proceeds to the discussion of audit profession and regulatory organizations, International Auditing Standards (ISAs), professional ethics and legal liability issues for auditors. Next is a discussion that helps the student to recognize statement assertions, the evaluation of the risks to which these assertions are susceptible, and the methodology of planning to assess the degree to which these risks give rise to error or fraud in financial information. The course also covers issues of audit evidence, audit methodology, and emphasizes assessment of the internal control system and its impact on audit risk. The last part of the course examines the content of an audit report and the reason for issuing varying types of reports.

- *Industry visit to relate the theory with the actual practice to know how auditing theories are applicable*

II. LEARNING OUTCOMES

After studying this course, the student should be able to:

- Describe the nature of an audit and explain the economic and legal basis for auditing.
- Demonstrate ability in the use of International Auditing Standards in various audit issues.
- Assess professional ethics with respect to the audit function and review the main components of Code of Professional Conduct.
- Examine the auditor's legal liability to clients and third parties.
- Demonstrate expertise in planning and carrying out audit procedures in accordance with International Auditing Standards and demonstrate how an auditor documents his work.
- Demonstrate how the auditor obtains an understanding of the entity and its environment and assesses the risk of material misstatement.
- Explain how materiality and various risk assessments impact the audit program.
- Determine the audit procedure needed to audit any assertion.
- Relate management assertions to general and specific audit objectives, relate audit evidence, and audit objectives to evidence-gathering decisions.
- Demonstrate ability in carrying out functions of internal control systems and examine the elements of an internal control structure and their components.
- Describe the audit report and explain conditions for qualifications in the audit report.

III. COURSE CONTENTS

Chapter	Topic	Sub-Topic	ISA Reference(s)
One	The Nature, Purpose, Scope of Audit and Assurance	1. Meaning Of Audit 2. Assurance Services: Overview 3. Why Audits are Conducted	• IAASB framework • ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in

	Services	4. Types of Audit and Auditors	Accordance with International Standards on Auditing
Two	The Auditing Profession	1. The Regulatory Framework Governing Auditing 2. International Standards on Auditing (ISA) 3. Professional Ethics: Fundamental Principles, Threats and Safeguards 4. Legal Liability of Auditors 5. Rights and Duties, Appointment, Dismissal and Resignation of an Auditor	• ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing • ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements
Three	Materiality and Risk Assessment	1. Audit Risk 2. Materiality	• ISA 320, Materiality in Planning and Performing an Audit • ISA 330, The Auditor's Responses to Assessed Risks
Four	Client Acceptance and Planning the Audit	1. Client Acceptance and Continuance 2. Planning the Audit 3. Appointment, Remuneration, and Removal of Auditors	• ISA 210, Agreeing the Terms of Audit Engagements • ISA 300, Planning an Audit of Financial Statements • ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment • ISA 320, Materiality in Planning and Performing an Audit • ISA 330, The Auditor's Responses to Assessed Risks • ISA 520, Analytical Procedures • ISA 550, Related Parties
Five	Audit Responsibility, Objectives, Evidence and Recording the Audit	1. Audit Responsibility 2. Management Assertions 3. Audit Objectives 4. Audit Evidence 5. Audit Documentation	• ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements • ISA 250, Consideration of Laws and Regulations in an Audit of Financial Statements • ISA 260, Communication with Those Charged with Governance • ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management • ISA 230, Audit Documentation

			• ISA 500, Audit Evidence • ISA 501, Audit Evidence-Specific Considerations for Selected Items • ISA 505, External Confirmations
Six	Internal Control	1. Meaning and Objectives 2. The Basic Elements 3. Recording Internal Control System 4. Internal Control and External Auditor 5. Internal Control and Internal Auditor 6. Inherent Limitations	• ISA 260, Communication with Those Charged with Governance • ISA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management • ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
Seven	Audit Reports	1. Types of Audit Reports 2. Basic Contents of a Standard Audit Report 3. Audit Opinion	• ISA 700, Forming an Opinion and Reporting on Financial Statements • ISA 705, Modifications to the Opinion in the Independent Auditor's Report • ISA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report • ISA 710, Comparative Information-Corresponding Figures and Comparative Financial Statements • ISA 720, The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

IV. TEACHING STRATEGY/ METHODS:

At university, the focus is the student's self-directed search for knowledge. Lectures, discussions, homework, reading assignment, textbooks, lecture notes, and other resources are all provided to help students learn. Interactive lecture and class discussion are an integral part of the instructional program. Students are therefore required to attend all lectures and read all required readings in order to fully grasp and appreciate the concepts of auditing.

A) Lectures

The purpose of lectures is to introduce and explain concepts that are critical to the core themes of the course. Further, lectures are aimed at providing students with the

understanding of the audit process and provide guidance for each stage within the process. Lecture notes should be provided on prior to the lectures. It should be self-explanatory what chapters of the textbook are relevant.

In order to maximize the benefits of attending lectures, students are expected/ encouraged to read the relevant study materials (i.e. specified chapters or pages in the textbook, auditing standards, etc) thoroughly before attending lectures.

B) Discussion Assignments

Discussion assignments will be discussed in class. Students are expected to be prepared to discuss the assignment in class.

C) Homework and Assigned Reading

Chapter reading assignments and homework are extremely important to student learning. It is the students' responsibility to read the information and complete the homework prior to the class covering that topic. The instructor collect homework and review solutions to ensure that students are keeping up and to help him /her identify areas where the student might be having difficulty.

V. THE INSTRUCTIONAL TECHNOLOGY TO BE USED

The instructional technology employed to deliver this course includes LCD projector, Laptop, audit software (eg. ACL, IDEA), textbook, marker, lecture note handouts, cases, etc

VI. ASSESSMENT CRITERIA

Evaluation consists of graded homework, quizzes, final examination, discussions, and a group project.

Attendance & Participation	5%
Homework /Assignment	15%
Tests	30%
Final Exam	<u>50%</u>
Total	<u>100%</u>

VII. COURSE REQUIREMENTS

It is essential to have a basic understanding of accounting systems and the recording of transactions in order to understand the audit of general-purpose financial statements. If students do not understand how the accounting systems of entities work and how a set of financial statements is produced, then it is very difficult to understand the fundamental auditing concepts.

It is essential that students prepared to take this course would have a good understanding of the basic concepts of financial accounting & reporting, cost and management accounting and financial management. Additionally, it is assumed that candidates would have a basic understanding of International Financial Reporting Standards (IFRSs). Thus, the relevant courses focusing on these concepts shall be set as a prerequisite to register/take this course.

TEXT

- Arens, Elder and Beasley, *Auditing and Assurance Service, Global Edition*, 16th Edition, 2016

REFERENCE BOOKS

- Hayes R., Wallage P., and Gortemake H., *Principles of Auditing: An Introduction to International Standards on Auditing*, 3rd Edition, 2014
- *2012 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (the handbook).
- Leung P., Coram P., et. all., *Modern Auditing and Assurance Services*, 6th Edition, Wiley 2015
- Messier. Glover, Prawitt, *Auditing & Assurance Services*, 9th Edition, with ACL software McGraw-Hill ISBN: 978 125 9162343 Louwers, T., Ramsay, (2012). *Auditing & Assurance Services* (5th ed.). Boston, MA: McGraw-Hill.
- R. Whittington and K. Pany; *Principles of Auditing & Other Assurance Services 19th Edition*, McGraw-Hill Irwin 2014
- Timothy Louwers, Robert Ramsey, et. al., *Auditing and Assurance Services* (3rd ed.). Irwin McGraw-Hill, 2008 (ISBN: 0-07-337936-0).
- Slides, lecture note hand out and other materials provided in class