

Course Number: ACFN 412
Course Title: AUDITING PRINCIPLE AND PRACTICES II
Credit Hour: 3 hours
ECTS: 5

DESCRIPTION OF THE COURSE

Course II builds on the knowledge base from audit principles learned in Course I with an emphasis on the implementation and application of International Auditing Standards (ISAs), and the practical application of the standards, within the context of accounting transaction cycles. The course is designed to provide students with an in-depth understanding of professional standards; the audit process, and the auditor's role in ensuring that publically issued financial statements are fairly presented. The Course includes the study of sampling techniques used in tests of controls and in substantive tests of transactions and account balances. The last chapter of the course provides an overview of advanced topics concerning complex auditing judgments, and the use of audit software tools and application of test data methods.

LEARNING OUTCOMES

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

- Explain why auditors use sampling and apply audit-sampling techniques for evidence acquisition and evaluation.
- Identify and assess risks of material misstatement at both the assertion and overall financial statement levels and respond to identified risks by designing and implementing tests of controls & substantive tests for a variety of financial statement elements
- Apply the concepts of audit planning, risk assessment, and obtaining an understanding of the internal control structure to the sales and collection cycle, the acquisition and payments cycle, the human resources and payroll cycle, the inventory and distribution cycle and the capital acquisition and repayment cycles.
- Complete the audit and describe the procedures required for completing the audit, including reviews for contingent liabilities and subsequent events.
- Recognize the major effects of computerization of accounting systems on a company's operations and on the audit approach and explain the use of computer-assisted audit techniques (CAAT)

COURSE CONTENTS

Chapter	Topic	Sub-Topic	ISA Reference(s)
One	Testing and Audit Sampling	1. Audit Sampling Concepts 2. Sampling for Tests of Controls 3. Sampling for Substantive Tests	• ISA 530, Audit Sampling
Two	Audit of the Sales and Collection Cycle	1. Overview of the cycle 2. Key Internal Control 3. Tests of Controls & Substantive Tests of Transactions 4. Tests of Details of Balances	• ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment • ISA 330, The Auditor's

			Responses to Assessed Risks
Three	Audit of Payroll and Personnel cycle	1. Overview of the cycle 2. Key Internal Control 3. Tests of Controls & Substantive Tests of Transactions 4. Tests of Details of Balances	• ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment • ISA 330, The Auditor's Responses to Assessed Risks
Four	Audit of Acquisition and Payment Cycle	1. Overview of the cycle 2. Key Internal Control 3. Tests of Controls & Substantive Tests of Transactions 4. Tests of Details of Balances of Accounts payable 5. Tests of Details of Property, Plant and Equipment 6. Tests of Details of Other accounts	• ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment • ISA 330, The Auditor's Responses to Assessed Risks
Five	Audit of Inventory and Warehouse Cycle	1. Nature of inventory 2. Control activities and Tests of Controls 3. Auditing Cost accounting 4. Observing physical inventory 5. Tests of pricing and compilation	• ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment • ISA 330, The Auditor's Responses to Assessed Risks • ISA 501, Audit Evidence-Specific Considerations for Selected Items
Six	Audit of the Capital and Repayment Cycle	1. Overview of the cycle 2. Key Internal Control 3. Auditing Long-term debt 4. Auditing Capital stock 5. Auditing Dividends 6. Auditing Retained Earnings	• ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment • ISA 330, The Auditor's Responses to Assessed Risks

Seven	Audit of Cash Balances	1. Cash in the Bank and transaction Cycles 2. Audit of the General Cash Account 3. Audit of Imprest Bank account and Petty Cash	• ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment • ISA 330, The Auditor's Responses to Assessed Risks
Eight	Completing the Audit	1. Review of Contingent Liabilities and Commitments 2. Review of Subsequent Events 3. Communication with the Audit Committee and Management 4. Management Letter	• ISA 450, Evaluation of Misstatements Identified during the Audit • ISA 501, Audit Evidence-Specific Considerations for Selected Items • ISA 560, Subsequent Events • ISA 570, Going Concern • ISA 580, Written Representations
Nine	Auditing Computerized Accounting Systems: An Overview	1. Impact of Information Technology on the Audit Process 2. Controls in a computerized environment 3. Computer assisted techniques (CAATS) in gathering audit evidence	

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

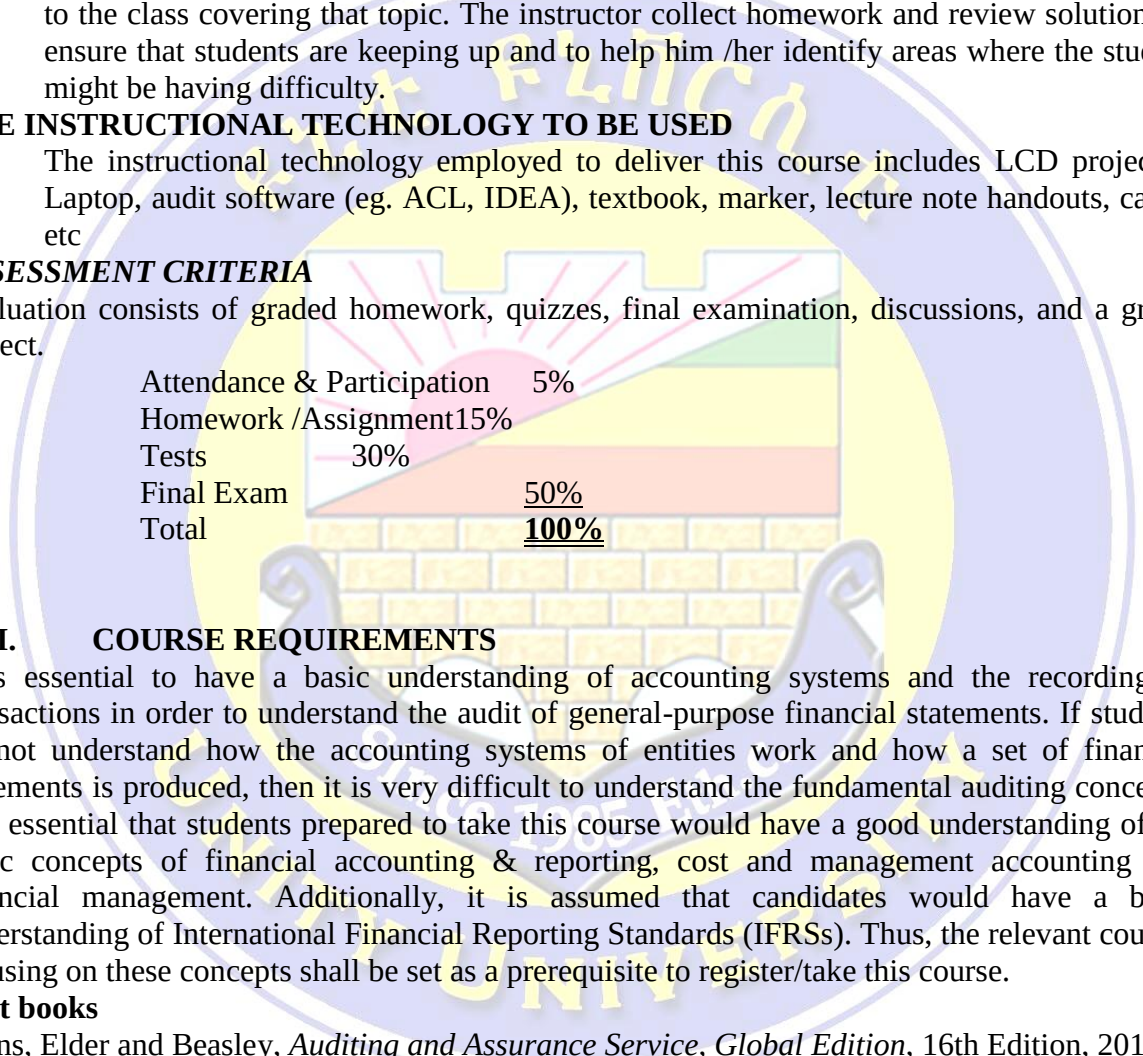
Chapter reading assignments and homework are extremely important to student learning. It is the students' responsibility to read the information and complete the homework prior to the class covering that topic. The instructor collect homework and review solutions to ensure that students are keeping up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

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

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	50%
Total	<u>100%</u>

I. 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 books

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

Reference Materials

- 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

