

## AC 205 - AUDIT & ASSURANCE I

### **COURSE OUTLINE**

1. The course has two distinct but related objectives :

- a) Firstly, it aims to ground students in basic factual knowledge in auditing and assurance. Students are introduced to the basic concepts of auditing, and their application in the functional areas (eg revenue, expenditure, inventory) of an organisation, in the context of basic computerised accounting environments. Thus, knowledge of computerised accounting information systems (AC 213) is a desirable prerequisite, or at least should be learnt concurrently with this course.

Two other major issues to be discussed are the framework within which auditing theory & practice has developed; and the environment within which the auditing profession in Singapore operates. This includes the auditing standards and other professional and legal requirements relevant to the profession.

- b) The second objective is to enable students to relate and apply their factual knowledge to the real world, encourage their capacity for independent thinking and information search and analysis, and to improve their communication and teamwork skills.

This course thus includes the following requirements for students:

- discuss assigned readings from professional and research journals;
- identify, relate and discuss items from current newspapers (such as the Straits Times and the Asian Wall Street Journal) which relate to important issues involving the auditing profession; and
- participate in class presentations on tutorial questions, assigned readings and/or the results of their independent reading.

This course aims to encourage and foster life-long learning and professional development skills.

2. The course lays the foundation for AC 304 – Audit and Assurance II

Week	Topics	Readings
1	<p><b><u>Introduction to Financial Statement Auditing :</u></b>            what is auditing &amp; financial statement auditing?            historical development of auditing            the role of auditing in business today            the expectation gap            the concept of true and fair</p>	<p>M : ch 1,2            ALA : ch 1            MS : ch 7            ASOBAC (p            18 – 31)            SSA 1</p>
2	<p><b><u>The Auditing Profession in Singapore :</u></b>            structure of the Singapore profession            Code of Professional Conduct &amp; Ethics            Singapore Standards on Auditing            the need for independence and competence            auditing postulates</p>	<p>M : ch 2, 20            ALA : ch 3            ICPAS rules            : 3<sup>rd</sup> sch            MS : ch 3</p>
3	<p><b><u>The Audit Process</u></b>            Overview of stages in the process            management assertions            the auditor’s assurance &amp; objectives            first year audits; engagement letters</p> <p><u>Audit planning &amp; risk assessment</u>            purpose of planning            the audit risk model            materiality and risk            knowledge of the business &amp; inherent risk            analytical procedures            audit planning memo &amp; programmes</p>	<p>M : ch 2            ALA : ch 5            SSA 2, 28</p> <p>M : ch 3, 5            ALA: ch 7,8            SSA 4, 7,            12, 25, 30            SAP 2</p>
4	<p><u>Audit evidence</u>            sources of evidence            techniques to gather evidence            sufficiency &amp; appropriateness of evidence            types of audit procedures &amp; tests            quality assurance            reliance on experts &amp; internal auditors</p> <p><u>Audit documentation</u>            working papers :            nature &amp; importance            contents &amp; quality            ownership &amp; confidentiality            organisation of working paper files</p>	<p>M : ch 4            ALA : ch 6            SSA 8            MS : ch 5</p> <p>M : ch 4            ALA : ch 6            SSA 9</p>

<b>Week</b>	<b>Topics</b>	<b>Readings</b>
5	<u>assessing control risk</u> understanding the internal control system internal controls & audit objectives documentation of control system  <u>revenue &amp; receivables</u> assessing the risks of misstatements audit objectives control procedures audit procedures	M : ch 6 ALA : ch 9 SSA 6, Add 1, 2  M : Ch 10 ALA :Ch 13
6	<u>Tests of balances in revenue &amp; receivables</u> confirmations sales cut off provision for doubtful debts  <u>sampling</u> why sample? sampling risk  <u>sampling for tests of balances</u> monetary unit sampling	M: 11 ALA : ch 13 SSA 8 Add Part B SAP 1  M : ch 8, 9 ALA: ch 12, 14 SSA 19
7	<u>The effects of computer processing on audit evidence</u> Changes in computer processing Effects of CIS on internal controls Effects of CIS on auditing Basic CAATs <u>Using generalised audit software in an audit :</u> Demonstration of ACL and its capabilities	M : ch 7 SSA 15, 16
8	<b><u>Functional areas :</u></b> <b><u>Purchases &amp; payables :</u></b> assessing the risks of misstatements audit objectives control procedures audit procedures  <u>Sampling</u> tests of controls and transactions	M : ch 12 ALA : ch 17  M : ch 8 ALA : ch 12
9	<b>RECESS (Sept 5 – 12)</b>	

<b>Week</b>	<b>Topics</b>	<b>Readings</b>
10	<u>Inventory &amp; warehousing :</u> assessing the risks of misstatements audit objectives control procedures audit procedures  <u>Sampling :</u> Tests of balances	M : 14 ALA : ch 19 SSA8: Add Part A SAP 4
11	<u>Other asset accounts</u> fixed assets investments  <u>Payroll &amp; personnel</u> assessing the risks of misstatements audit objectives control procedures Audit procedures	M : ch 15  M : ch 13 ALA : ch 16
12	<u>Cash :</u> assessing the risks of misstatements audit objectives control procedures audit procedures  <u>Owners' equity, long term liabilities and expenses</u>  <u>Related parties &amp; group accounts</u>	M : ch 17 ALA : ch 21 SAP 10  M : ch 16 ALA : ch 20  SSA 17
13	<u><b>Audit completion &amp; reporting</b></u> subsequent events, contingent liabilities, capital commitments review of audit findings letter of representation disclosure & presentation of accounts other information in the annual report quality controls the audit report  types of audit reports management letter	M : ch 18, 19 ALA : ch 2, 22 SSA 13, 21, 22, 23

## **DESIRABLE PREREQUISITES**

AC 101 & 201, and preferably, AC 213. Knowledge of Singapore Company Law and management accounting is also desirable

## **BASIC TEXT**

**M** Messier WF, Auditing, A Systematic Approach, International Edition, 1997, McGraw-Hill  
(HF 5667.M585)

## **OTHER REFERENCES**

**SSA, SAP etc** 1) Singapore Standards on Auditing, ICPAS  
2) Statements of Auditing Practice, ICPAS  
(rHF 5616.S56.S617)

**ALA** Arens, Loebbecke & Ambanpola, Auditing in Singapore, An Integrated Approach, Second Edition, 1997, Prentice Hall  
(HF 5667.A681a)

**ASOBAC** A Statement of Basic Auditing Concepts, AAA 1973  
(rJQ 727.S617)

**MS** Mautz & Sharaf , The Philosophy of Auditing, AAA Monograph No 6, 1961  
(rHF 5667.M459)

**FL** Foo SL & Low AM, Issues in Auditing, Addison Wesley 1996  
(HF 5667.i86)

Additional references, if any, will be announced during lectures.

Students are required to read the Asian Wall Street Journal (announcement will be made in lecture 1 on subscription procedures), and The Straits Times (<http://straitstimes.asia1.com.sg/>)

## **METHOD OF INSTRUCTION**

Lectures 2 hours per week, commencing in week 1 and ending in week 13

Tutorials 2 hours per week, commencing in week 2 and ending in week 14

## **COURSE ASSESSMENT**

Class participation : 10%

Assignments : 20% (2 assignments of equal weight)

Final examination : 70%

Total 100%

## **IN CLASS ASSIGNMENT (10% of course evaluation)**

### **Week 8**

There will be an in class assignment held during week 8. This assignment will be based on the topics covered in lectures, tutorials and readings up to the week prior to the date of the assignment.

#### **Note :**

**This assignment tests the student's understanding of the knowledge covered in the lectures, tutorials and readings to date, and the student's ability to apply that knowledge to the specific circumstances/situations described in the assignment questions.**

## **WRITTEN ASSIGNMENT (10% of course evaluation)**

**Due date : end of week 10**

#### **Note :**

**This assignment is based on the student's reading, understanding & appreciation of current issues as reported in current newspaper articles, journals or magazines, and the student's ability to relate these to audit**

### **Instructions**

1. Select a minimum of three related current articles from current newspapers, periodicals or magazines. These articles should cover any one of the following broad areas :
  - ethics and the accounting/audit profession
  - current issues & developments in the audit profession
  - internal controls
  - audit reports
  - economic conditions and/or industry related news and the impact on audit risk assessment
2. The originals of the articles you have selected must be attached to the report you are required to submit. (Photocopies will not be accepted). These articles can be selected from your weekly readings and tutorial discussions from the Straits Times and the Asian Wall Street Journal.
3. Write a **report** relating the issues discussed in the articles to what you have learnt in AC 205 about auditing.
4. Your report should contain the following :
  - a) your understanding of the issue(s) discussed
  - b) how the issue(s) relate to or have an impact on audit
5. Your report should be not more than 600 words in length

### **Basis of evaluation**

The report will be graded on the following criteria :

1. degree of understanding and relationship of the issue(s) discussed in the articles selected
2. ability to relate the issue(s) to your knowledge of auditing
3. general presentation of the report, including organisation of material and grammar

You will be penalised for the following :

1. late submission of report
2. copying work of other student(s) and/or plagiarising material/information from sources without proper accreditation
3. exceeding the maximum word length of 600 words

**BOTH ASSIGNMENTS WILL BE RETURNED TO STUDENTS WITH A GRADE AND COMMENTS BY THE END OF WEEK 14, AT THE LATEST**

### **CLASS PARTICIPATION (10 % of course evaluation)**

It is expected that students will actively and constructively participate in class discussions during tutorials.

Tutors will assess students based on :

1. level of preparation for classes
2. relevance and quality of contributions to class discussions
3. consideration for classmates and tutors (eg punctuality, not interrupting others when they are expressing their points of view, not disrupting the class in any other manner)

### **LECTURERS**

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