

ABSA411 - Auditing Theory and Practice II

Course Title	Auditing Theory and Practice II				
Course Code	ABSA 411				
Course Type	Elective				
Level	BA (Level 1)				
Year / Semester	6 th				
Teacher's Name	Dr Christos Minas / Dr Andreas Georgiou / Dr Michalis Makrominas / Mr Nearchos Nearchou				
ECTS	6	Lectures / week	3	Laboratories/week	
Course Purpose	<p>The module builds on the previous module in auditing. An aim of the module is to examine the area of audit evidence and to apply to case study scenarios.</p> <p>In addition the module will take a more practical approach than ABSA 408 by providing case study scenarios that will ask the student to apply some or all of the following on the elements of financial statements: substantive testing; tests of controls; review of the financial statements and, issues concerning the audit report (audit opinion).</p>				
Learning Outcomes	<p>By the end of the lesson, the student will be able to:</p> <ol style="list-style-type: none"> 1. Describe the procedures in obtaining, accepting and confirming audit engagements. 2. Identify and explain the different components of audit risks and assess their significance to planning the audit. 3. Explain the importance of audit evidence and apply this knowledge to material aspects of the financial statements. 4. Explain the audit procedures for obtaining sufficient and appropriate audit evidence for various types of assets, liabilities and equity. 5. Discuss the role of computer assisted auditing techniques in the audit. 6. Explain the auditing procedures on work done by others and the extent auditors should rely on this work. 7. Explain the purpose of written representations by management and evaluate the reliability of this evidence. 8. Describe the control objectives, control procedures and tests of control for the various systems including: sales, purchases and payroll amongst others. 9. Recognise the procedures undertaken at the review stage of the audit including the subsequent event and going concern review. 				

	<p>10. Construct suitable audit reports based on mini-case study scenarios. Issue appropriate audit opinions based on case-studies scenarios.</p> <p>11. Demonstrate university-level communication skills for presentations and written reports.</p>		
Prerequisites	ABSA 408.	Co-requisites	None.
Course Content	<ul style="list-style-type: none"> • It is assumed the content of the modules ABSA 408 and the relevant modules in financial accounting are carried forward to this module. • Audit risk and planning: Describe the procedures in obtaining, accepting and confirming audit engagements. Discuss the role of engagement letters in the audit. Explain the contents in the letter of engagement. Identify and explain the different components of audit risks and evaluate their significance to planning the audit. • Audit evidence: Distinguish between substantive testing and tests of controls. Explain the substantive procedures that are used for obtaining audit evidence including analytical review techniques. Explain the audit procedures for obtaining sufficient and appropriate audit evidence, amongst others in the areas of: Tangible non-current assets; intangible assets; inventories, receivables, cash and cash equivalents, share capital and reserves; non-current liabilities and, payables. Define audit sampling and explain the need of sampling in the audit. Compare and contrast statistical sampling techniques with non-statistical sampling techniques. Discuss the role of computer assisted auditing techniques in the audit. Examine the auditing procedures on work done by others and the extent auditors should rely on this work. Describe audit techniques that could be used in non-profit organisations. Explain the purpose of written representations by management and examine the reliability of this evidence. • Internal Controls and Audit Testing: Explain the different types of computer system controls. Describe the control objectives, control procedures and tests of control for the following systems: sales, other income, purchases, payroll, inventory, cash and cash equivalents and non-current assets. Examine the area concerning communications between the external auditor and the management. Prepare from case study scenarios a letter of 		

	<p>weaknesses (of internal controls) and recommendations to management for overcoming these deficiencies.</p> <ul style="list-style-type: none"> • Review of the financial statements: Recognise what a subsequent events review is and identify the procedures to be carried out based on case study scenarios. Explain the significance of the going concern concept to the audit and recognise the auditors' responsibilities concerning this concept. Identify and apply (to case study scenarios) the going concern review procedures. Explain the procedures the auditor used carry out when finalising the audit. • The Independent Audit Report: Identify and explain the contents of an unmodified audit report. Formulate appropriate audit opinions based on case study scenarios and produce relevant documentation concerning the following types of audit opinions: emphasis of matter, modified, disclaimer of opinion and/or adverse opinion.
Teaching Methodology	<p>The taught part of course is delivered to the students by means of lectures, conducted with the help of computer presentations. Lecture notes and presentations are available through the web for students to use in combination with the textbooks.</p> <p>Lectures are supplemented with class exercises carried out in class and via homework. Class exercises for homework are submitted on the e-learning platform for students to attempt and the solutions are posting on the platform at a later date (around one week).</p>
Bibliography	<p><u>Textbooks:</u> BPP, ACCA AA Audit and Assurance, Study Textbook 2019 Edition, BPP Learning Materials, 2019.</p> <p><u>References:</u> Kaplan Publishing, Audit and Assurance (AA) Study Text, Kaplan Publishing, 2018 edition. Alan Millichamp and John Taylor, Auditing, Cengage Learning, 10th Edition, 2012. Iain Gray and Stuart Manson, The Audit Process: Principles, Practice and Cases, Sixth Edition, Thomson Learning, 2015. Graham Cosserat and Neil Rodda, Modern Auditing, 4th Edition, John Wiley, 2016.</p>

	<p>Andreas Georgiou (2018), Auditors' Perceptions on Impact Of Mandatory Audit Firm Rotation on Auditor Independence - Evidence from Cyprus, Science and Business: Development Ways, No. 3 (81), pp 150-157.</p>
<p>Assessment</p>	<p><u>(a) Methods:</u> Students will be assessed with coursework that involves an assignment (with a written report and presentation), a midterm test and a final exam. The course involves both explaining theoretical concepts and also solving practical problems in auditing.</p> <p><u>(b) Criteria:</u> The assessment criteria can be generalised as follows concerning the area assessed:</p> <ul style="list-style-type: none"> • 86% or more – Excellent application of problem solving skills. • 76%-85% - Very good application of problem solving skills. • 66%-75% - Good application of problem solving skills. • 56%-65% - Satisfactory with some success in applying problem solving skills • 50%-55% -Satisfactory with limited success in applying problem solving skills • Below 50% -Little or no application of problem solving skills. <p><u>(c) Weights:</u></p> <ul style="list-style-type: none"> • Assignment 20% • Mid-term test 20% • Final exam 60%
<p>Language</p>	<p>English.</p>