

Acc 491 week four
individual text book
10-32 and 11-21
essay



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Components of internal control a. Management has established a code of conduct that includes rules regarding conflicts of interest for purchasing agents. Category: 1, Assertion: Pervasive b.

Waterfront has established a disclosure committee to review the selection of new accounting policies. Category: 4. 6, Assertion: DAO Accuracy and Valuation, DAO Classification and Understandability. c. Any computer program revision must be approved by user departments after testing the entire program with test data. Category: 4.

3. 1, Assertion: Any Assertion d. The managers of each of Waterfront's manufacturing departments must review all expenditures charged to their responsibility center weekly. Category: 5, Assertion: TAO Occurrence, Completeness, Accuracy, and Cutoff. e.

The CEO, CFO, and controller review the financial consequences of business risks annually to ensure that controls are in place to address significant business risks. Category: 2, Assertion: Pervasive f. Human resources focuses on ensuring that accounting personnel have adequate qualifications for work performed in billing and accounts receivable. Category: 1, Assertion: Any Assertion g. Security software limits access to programs and data files, and keeps a log of programs and files that have been accessed, which is then reviewed by the security manager daily.

Category: 4. 3. 1, Assertion: Any Assertion [458] PART 2 / AUDIT PLANNING h. A computer program prints a daily report of all shipments that have not yet been billed to customers. Category: 4.

3. 2, Assertion: BAO Completeness i. The controller reviews sales and collections bimonthly. Category: 4. 5, Assertion: TAO Valuation, Completeness, BAO Existence, Completeness.

. The computer compares the information on the sales invoice with underlying shipping information. Category: 4. 3. 2, Assertion: TAO Occurrence, Accuracy k.

Customer billing complaints are directed to internal audit for follow-up and resolution. Category: 5, Assertion: TAO Occurrence, Accuracy l. The documentary transaction trail for all credit sales is documented in company policy manuals. Category: 3, Assertion: Any Assertion m. A committee of the board of directors evaluates and monitors business risks.

Category 3, Assertion: Any Assertion n. Access to spreadsheets used in the financial reporting process is limited and spreadsheets are tested with test data on a quarterly basis. Category 4. 3. 3, Assertion: Any Assertion 11-21 Assessing control risk a.

Explain the reasons an auditor may assess control risk at the maximum level for one or more assertions embodied in an account balance. Controls are not likely to be relevant to an assertion and be effective. For an auditor to audit effectively it would not a waste of time for the auditor to review the usefulness of the company's controls b. What must an auditor do to support assessing control risk at less than the maximum level when the auditor has determined that controls have been placed in operation? Only controls pertaining to the financial statement assertion is identified by the auditor. An auditor should test the controls to determine if the controls are effective in <https://assignbuster.com/acc-491-week-four-individual-text-book-10-32-and-11-21-essay/>

preventing or can become aware of misstatements in the financial statement assertion.

Once the test are completed the auditor assess the control risk level. c. What should an auditor consider when seeking a further reduction in the planned assessed level of control risk? The auditor determines if more test are required to determine if new evidence will arise. However, if the additional test are not efficiently feasible the additional test are not applied.

Once both factors are realized and testing continues the auditor determines the assessment level of control risks. The newly tested assessed level of control risk is used to conclude the nature, timing, and degree of substantive test for the assertions. . What are an auditor's documentation requirements concerning an entity's system of internal control and the assessed level of control risk? Documentation should include the basic understanding of control environment, information, communication, risk assessment, monitoring, and important control activities.

Control risk is assessed below and at maximum levels. If an asserting contains a control risk assessed at maximum level, the auditor will documents the conclusion, however not the basis of the conclusion. This situation does not require confirmation to give good reason for the auditor's conclusion. Control risk assed at below the maximum level the auditor does require the documental proof the control risk is assessed at below maximum assessment to conclude the below maximum level. Documentation is not required for specific assessed level of control risk below maximum.

Documentation is required of a description of all test completed by the auditor, the results found including insufficiency, the effectiveness of the control risk, and the effects on substantive audit procedures.