Generally accepted auditing standards

Finance

Generally Accepted Auditing Standards Paper Madeline Cates ACC/491 Contemporary Auditing 1 November 7, 2012 Thomas A. House Auditing is extremely important to our businesses, our state and federal government, investors, banks, and our overall economy. Without auditing there would be plenty of room for mistakes. Boynton & Johnson (2006) define auditing as the following, “ A systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users” (p.). To break it down auditing follows a certain process of steps using financial statements and tax returns to evaluate an organization in an unbiased way. Once this is done a written report is made by the auditors to give the organization the credibility they deserve. This credibility is passed on to interested users such as; banks, stockholders, and management. The purpose of this paper is to explain the nature and functions of auditing, and relate them to an organization in which we are familiar. The organization is which I am familiar with is Chili’s Bar and Grill where I have been an employee for over 4 years.

Chili’s is owned by Brinker Nation, which is publically traded on the New York Stock Exchange under the symbol EAT. Brinker Nation is audited by independent auditing committee with no relation to the company, they follow the standard of the NYSE as well as the Securities and Exchange (SEC). The Generally Accepted Auditing Standards (GAAS) are a set of standards that public accountants are required to use. All together there are 10 different GAAS that are used to establish the quality of performance and the overall objectives to be achieved in afinancial statementaudit. Boynton & Johnson, 2006) The Generally Accepted Accounting Standards apply to financial, operational, and compliance audits. Typically a CPA preforms a financial audit by evaluating a firm's financial position to see if they are using GAAP. The results are then distributed to the general public. A compliance audit focuses on whether or not a firm is following rules and government regulations, such as the Sarbanes-Oxley Act that requires duel-purpose auditing and compliance audits.

Operational audits focus on activities in relation to objectives. This is also known as a management audit. The Sarbanes-Oxley Act of 2002 and the Public Company Accounting Oversight Board (PCAOB) affect publically traded companies. The PCAOB is a private sector that was created by the SOX Act of 2002. Basically the PCAOB oversees auditors of publically traded companies to protect investors, creditors, and the general public. According to Boynton & Johnson (2006), the PCAOB was given authority in 5 major areas including, 1.

Registering public accounting firms that audit the financial statements of public companies. 2. Setting quality control standards for peer review of auditors of public companies and conducting inspections of registered public accounting firms. 3. Setting auditing standards for audits of public companies. 4. Setting independence and ethics rules for auditors of public companies. 5. Performing other duties or functions to promote high professional standards ? for public company audits, and enforce compliance with the Sarbanes-Oxley Act of 2002.

With the help of the SEC, PCAOB, SOX Act, and GAAS we can ensure investors and creditors that publically traded organizations are presenting honest, fair, and straightforward financial information. Auditing is vital to the growth of our businesses, our local and federal government, and our economy as a whole. Resources Boynton, W. C. , & Johnson, R. N. (2006). Modern auditing: Assurance services and the integrity of financial reporting. (8th ed.). Hoboken, NJ: Wiley. Louwers, T. , Ramsay, R. , Sinason, D. , & Stawser, J. R.. (2007). Auditing and assurance services. New York, NY: McGraw-Hill.