

Audit – college essay



Audit procedures frequently “ cover” more than one audit objective! Select a sample of sales invoices and trace to the shipping document agreeing name and quantity. Preparation Question: What is an audit procedure? B. What sample size to select for a given procedure. C. Which items to select from the population. D. When to perform the procedures (timing). III. Audit Program Preparation Question: What is an audit program? IV. Persuasiveness of evidence Which audit procedures: A. Appropriateness 1. Relevance

Example: Trace from sales invoices in the Sales Journal to shipping documents. B. Reliability 1. Independence of provider - 2. Effectiveness of client’s internal control structure (strong vs. weak) 3. Auditor’s direct knowledge 4. Qualifications of provider 5. Objectivity What sample size and which items: C. Sufficient 1. Likelihood of misstatements 2. Quality of internal control When to perform D. Timeliness Other factors: E. Combined effect F. Cost 2 V. Type of Evidence Preparation question: Enter key words that define each of the types of evidence listed.

Type Definition Grade 1. Physical examination 2. Confirmation 3.

Documentation: External Internal - good Internal - bad 4. Analytical procedures: Tailored Broad 5. Inquiries of the client 6. Recalculation 7.

Reperformance 8. Observation In-class exercise: Audit Procedure 1. Examine supporting documents for cash disbursements several days before and after year-end. 2. Examine the acquisitions and cash disbursements journals for the last few days of the current period and first few days of the succeeding period, looking for large or unusual transactions. 3.

Trace from the general ledger trail balance and supporting documentation to determine whether accounts payable, related parties, and other related assets and liabilities are properly included on the financial statements. 4. For liabilities that are payable in a foreign currency, determine the exchange rate and check calculations. 5. Discuss with the bookkeeper whether any amounts included on the accounts payable list are due to related parties, debit balances, or notes payable. 6. Obtain vendors' statements from the controller and reconcile to the listing of accounts payable. 7.

Obtain vendors' statements directly from vendors and reconcile to the listing of account payable. 8. Obtain a list of accounts payable. Re-add and compare with the general ledger. Type of Evidence BRAOs 3 Example of writing/creating audit procedures: Situation: The following depicts the document flow for sales for a typical company. Customer/ Sales Order Bill of Lading Sales Invoice Sales Journal General Ledger Financial Statements General Objective TRA0 - Occurrence Specific Objective Audit Procedures TRA0 - Completeness See Table 7-6 (p. 187) for good "buzz" words to use when constructing an audit procedure.