



This course supports the assessment for Auditing. The course covers 5 competencies and represents 3 competency units.

Introduction

Overview

This course will walk you through the auditing process, including planning, conducting, documenting, and reporting an audit. You will also learn the roles and professional standards of public accountants. This course is designed to help you study for the CPA exam and develop essential skills for real-world accounting experiences.

Getting Started

Welcome to Auditing! This course is designed to help you develop practical skills in preparation for the CPA exam. In this course, you will cover 13 topics. Within each topic are readings, videos, practice exercises, quizzes, and a "CPA Test Prep" as a final assessment within each section. The primary learning resources for this course are MyEducator and Open Web e-texts. Download and utilize the course pacing guide to stay on track with the course deliverables over the duration of the course. We recommend you maintain a study journal to record responses to learning activities and knowledge checks. You will need a financial calculator or access to a spreadsheet program, such as Microsoft Excel. Course instructors are available to assist you throughout the duration of the course. We encourage you to contact them as soon as you begin your course of study and as often as necessary throughout the course. Competency will be demonstrated by successful completion of the objective assessment.

Watch the following welcome video for an introduction to this course:

Note: To download this video, right-click the following link and choose "Save as...": [download video](#).

Competencies

This course provides guidance to help you demonstrate the following 5 competencies:

- **Competency 3030.1.1: Professional Responsibilities and Standards**
The graduate understands the roles, responsibilities, and professional standards of the public accountant, including the Code of Professional Conduct.
- **Competency 3030.1.2: Planning the Audit Engagement**
The graduate effectively plans an audit engagement.
- **Competency 3030.1.3: Auditing Internal Controls**
The graduate assesses the internal control environment to identify potential risks.
- **Competency 3030.1.4: Performing Audit Procedures and Evaluating Evidence**
The graduate performs audit procedures for various accounts and evaluates evidence in accordance with generally accepted auditing standards.
- **Competency 3030.1.5: Evaluating and Reporting Audit Findings**
The graduate analyzes audit findings and prepares the final reports at the completion of



an audit.

Course Instructor Assistance

As you prepare to successfully demonstrate competency in this subject, remember that course instructors stand ready to help you reach your educational goals. As subject matter experts, mentors enjoy and take pride in helping students become reflective learners, problem solvers, and critical thinkers. Course instructors are excited to hear from you and eager to work with you.

Successful students report that working with a course instructor is the key to their success. Course instructors are able to share tips on approaches, tools, and skills that can help you apply the content you're studying. They also provide guidance in assessment preparation strategies and troubleshoot areas of deficiency. Even if things don't work out on your first try, course instructors act as a support system to help you prepare for another attempt. You should expect to work with course instructors for the duration of your coursework, and you are encouraged to contact them as soon as you begin. Course instructors are fully committed to your success!

Preparing for Success

The information in this section is provided to detail the resources available for you to use as you complete this course.

Learning Resources

The learning resources listed in this section are required to complete the activities in this course. For many resources, WGCU has provided automatic access through the course. However, you may need to manually enroll in or independently acquire other resources. Read the full instructions provided to ensure that you have access to all of your resources in a timely manner.

Automatically Enrolled Resources

You can access the learning resources listed in this section by clicking on the links provided throughout the course. You may be prompted to log in to the WGCU student portal to access the resources.

Wiley CPAexcel

Wiley CPAexcel is a series of video resources designed to align with the course topics. You will be directly linked to the video content in the activities in this course.

MyEducator

All of the course content will be found within the following MyEducator course:

- *Introduction to Auditing*

Minimum Technical Requirements

Obtain a Calculator

You will need a financial calculator or access to spreadsheet software, such as Microsoft Excel,



for computational problems throughout this course. The recommended financial calculator is the Texas Instruments BA-II Plus. You may only use an approved financial calculator during the pre-assessment and assessment for this course. You are unable to use Excel during the assessments.

Pacing Guide

The pacing guide suggests a weekly structure to pace your completion of learning activities. It is provided as a suggestion and does not represent a mandatory schedule. Follow the pacing guide carefully to complete the course in the suggested timeframe.

- [“Auditing Pacing Guide”](#)

Note: This pacing guide does not replace the course. Please continue to refer to the course for a comprehensive list of the resources and activities.

Professional Responsibilities and Standards

This section emphasizes the vital role of auditing in the business world. It also introduces the essential roles, responsibilities, and professional standards for auditors.

The Importance of High-Quality Information and Auditing

Auditors perform an essential role for businesses and investors. This topic will help you better understand and articulate the need for auditing in the business world and the characteristics of high-quality auditors. You will also differentiate between auditing, attest services, and assurance services.

This topic addresses the following competency:

- **Competency 3030.1.1: Professional Responsibilities and Standards**
The graduate understands the roles, responsibilities, and professional standards of the public accountant, including the Code of Professional Conduct.

This topic highlights the following objectives:

- Explain why businesses need to provide reliable, high-quality financial information to stakeholders.
- Describe the role of auditors in the financial reporting process.
- Define auditing, attest services, and assurance services.
- Identify characteristics of high-quality auditors.

The Role and Importance of Auditing

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 1.12:

- [Topic 1 \(“What is Auditing and Why Does It Matter?”\)](#)

**Note: The videos throughout the MyEducator course are optional activities. You may view them anytime for further review, but they are not required for this course.*



Complete the following activity in your study journal:

- Analyze the following scenarios and write the answers to the following questions:
 1. A large regional CPA firm decides to hire a new audit manager. The top two candidates for the job are Auditor A and Auditor B. Auditor A owns a small amount of stock in KOD Manufacturing, a client of the CPA firm, and Auditor B does not, but her father is a retired KOD Vice President. Considering this information, the company decides to hire Auditor B. Which characteristic does Auditor B exhibit that Auditor A does not? Why?
 2. Auditor X has decided to specialize in the oil industry. As a result, she consistently chooses oil companies as clients in order to develop expertise in auditing issues related to the oil industry. Auditor Y has decided to audit companies from a wide variety of industries in order to keep his client pool open and diverse. Consequentially, he obtains a basic-level understanding of many different industries. According to the textbook, which auditor demonstrates a higher level of competence? Why?
 3. An auditor is performing preliminary analytics of the trial balance accounts of TOPSPIN, LLC. This is the first year that the firm has audited TOPSPIN's financial statements. Several account balances are higher than the previous year's balances. The auditor brings this up to the CFO, who reassures him that any discrepancies are immaterial. However, the auditor decides to perform a more extensive examination of the account, and discovers numerous discrepancies. The amount of discrepancies is considered material. Which characteristic(s) does the auditor exemplify? Why?

Read the following article about internal and external auditors:

- [Internal vs. External Auditors, What's the Difference?](#)

If you would like further review, you may take the following optional quiz:

- [Section 1.13 \("CPA Test Prep"\)](#)

Auditing and Assurance Standards

Professional auditors need to follow established standards. This section covers the need for these standards, the organizations that set the standards, and several of the key standards that auditors need to follow.

This topic addresses the following competency:

- **Competency 3030.1.1: Professional Responsibilities and Standards**
The graduate understands the roles, responsibilities, and professional standards of the public accountant, including the Code of Professional Conduct.

This topic highlights the following objectives:

- Explain the need for well-defined, evolving standards for governing auditing.
- Describe the various standard-setting bodies that establish prescriptive auditing



standards.

- Identify the basic Generally Accepted Auditing Standards (GAAS).

Auditing and Assurance Standards

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 3.7:

- [Topic 3 \(“Auditing and Assurance Standards”\)](#)

Complete the following activities in your study journal:

- Write a brief answer to the following question:
 - Why is there a need for well-defined, evolving auditing standards?
- Write a brief description of each of the following standard-setting organizations:
 - The Securities and Exchange Commission (SEC)
 - The AICPA’s Auditing Standards Board (ASB)
 - The Public Company Accounting Oversight Board (PCAOB)
 - The International Auditing and Assurance Standards Board (IAASB)
- Write a brief (2-5 word) summary for each of the 10 PCAOB Generally Accepted Auditing Standards (GAAS) as outlined in Section 3.4.

If you would like further review, you may take the following optional quiz:

- [Section 3.8 \(“CPA Test Prep”\)](#)

Professional Responsibilities of Auditors

This section outlines the key responsibilities and obligations of auditors and others involved in the auditing process.

This topic addresses the following competency:

- **Competency 3030.1.1: Professional Responsibilities and Standards**
The graduate understands the roles, responsibilities, and professional standards of the public accountant, including the Code of Professional Conduct.

This topic highlights the following objectives:

- Describe the key regulatory requirements in the 1933 and 1934 securities acts and the Sarbanes-Oxley Act of 2002.
- Identify the principles of professional conduct as outlined in the AICPA’s Code of Professional Conduct.
- Identify key rules from AICPA’s Code of Professional Conduct.
- Identify examples of violations of independence according to rules established by the SEC and the AICPA.
- Describe the responsibilities of partners, managers, seniors, and associates within an auditing firm.



Professional Responsibilities of Auditors

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 4.9:

- [Topic 4 \(“Professional Responsibilities of Auditors”\)](#)

Complete the following activities in your study journal:

- Write a brief description of the key requirements in each of the following Acts:
 - The 1933 Securities Act
 - The 1934 Securities Exchange Act
 - The Sarbanes-Oxley Act
- Match each of the following scenarios with the rule that is being violated:

1. An auditor agrees to receive \$1,000 for recommending a client’s services to another company.
2. An auditor commits an action that reflects poorly on the reputation of the auditing profession.
3. An auditor creates an auditing firm whose organizational structure does not conform to accepted standards.
4. An auditor agrees to receive \$5,000 from a client for giving a favorable audit report for that client.
5. An auditor guarantees that she will provide a favorable audit report for a prospective client before initiating the audit engagement.
6. An auditor reveals a client’s private information in a public statement.

- A. Confidential client information
- B. Contingent fees
- C. Acts discreditable
- D. Advertising and other forms of solicitation
- E. Commissions and referral fees
- F. Form of organization and name

- Explain the difference between **independence in fact** and **independence in appearance**.
- Write a description of the following types of relationships that are prohibited by the SEC:
 - **employment** relationships
 - **contingent fee** relationships
 - **direct** or **material indirect business** relationships
 - certain **financial** relationships
- Match each of the following types of prohibited relationships with an example of that relationship. (Note: some of the examples may be categorized into more than one of the relationship types and some of the relationship types may apply to more than one scenario).



- A. Employment relationships
- B. Contingent fee relationships
- C. Direct or material indirect business relationships
- D. Certain financial relationships

1. An auditor performs an audit for one of her creditors.
2. A company pays an auditor an extra sum for providing a favorable audit report.
3. An auditor's parent company asks her to consult for their newly-acquired subsidiary.
4. A company hires an auditor a few weeks after the auditor completes an auditing engagement for that company.
5. An auditor owns stock in a company that he audits.

If you would like further review, you may take the following optional quiz:

- [Section 4.10 \("CPA Test Prep"\)](#)

Legal and Organizational Structure of Firms

Read the following section in *Introduction to Auditing* and take the quiz at the end:

- [Section 2.3 \("Legal and Organizational Structure of the Firm"\)](#)

Complete the following activity in your study journal:

- Write the description of the responsibilities of each of the following members of a firm:
 - partner
 - manager
 - senior (in-charge)
 - associate (staff)

Planning the Audit Engagement

The first steps in the auditing process are very important. This section outlines the key steps that an auditor should take to begin a successful audit.

Client Acceptance and Quality Control

When an auditor begins the auditing process with the client, there are several important interactions and prerequisites that need to take place between the auditor and client. In this section, you will learn more about these initial procedures, which include the client acceptance process, the engagement letter, and quality control processes.

This topic addresses the following competency:

- **Competency 3030.1.2: Planning the Audit Engagement**
The graduate effectively plans an audit engagement.

This topic highlights the following objectives:



- Describe key steps and requirements in the client acceptance process.
- Explain the purpose and content of the engagement letter in an audit engagement.
- Describe internal and external quality control processes.

Client Acceptance and Quality Control

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 5.7:

- [Topic 5 \(“Client Acceptance and Quality Control”\)](#)

Complete the following activities in your study journal:

- Write a brief summary of what you would do to fulfill each of the following steps if you were an auditor accepting a new client:
 - preconditions for an audit
 - analysis of client integrity
 - communication with the predecessor auditor
 - engagement letter
- Write a brief engagement letter to a hypothetical client. Be sure to include all of the required information that needs to be included in an engagement letter (see the bulleted list under the “Engagement Letter” section in Section 5.2 of the text).
- Summarize the purpose of and give examples of each of the following:
 - firm-level quality control
 - engagement-level quality control
 - external quality control
 - PCAOB Inspections
 - AICPA Peer Review Program

If you would like further review, you may take the following optional quiz:

- Section 5.8 ([“CPA Test Prep”](#))

View the following video:

- [Quality Control Standards \(SQCS\)](#) (7:25)

Audit Planning

This topic outlines important planning considerations, including the information that auditors need to understand about their clients, materiality issues, and the primary concerns an auditor must consider during the auditing process.

This topic addresses the following competency:

- **Competency 3030.1.2: Planning the Audit Engagement**
The graduate effectively plans an audit engagement.



This topic highlights the following objectives:

- Identify the information an auditor should understand about a client when planning an audit.
- Identify PCAOB's key management assertions.
- Distinguish between overall planning materiality and performance materiality.
- Identify the primary concerns an auditor must consider while examining a client's revenue and expenditure cycles.

Audit Planning

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 6.10:

- [Topic 6 \("Audit Planning"\)](#)

Complete the following activities in your study journal:

- Write a list of the things an auditor should learn about a client when planning an audit.
- Write a brief description of each of the following assertions:
 - existence or occurrence
 - completeness
 - valuation or allocation
 - rights and obligations
 - presentation and disclosure
- Write a brief description of each of the following:
 - overall planning materiality
 - performance materiality
 - the major differences between overall planning materiality and performance materiality
- Write a list of the primary concerns an auditor must consider while examining the following:
 - a client's revenue cycle
 - a client's expenditure cycle

If you would like further review, you may take the following optional quiz:

- Section 6.11 (["CPA Test Prep"](#))

Watch the following video:

- [Pre-Engagement Planning Issues](#) (11:31)

Audit Planning: Audit Risk and the Risk of Material Misstatement

Another essential element to audit planning is calculating the various risks involved. This section introduces and explores these risks.



This topic addresses the following competency:

- **Competency 3030.1.2: Planning the Audit Engagement**
The graduate effectively plans an audit engagement.

This topic highlights the following objectives:

- Identify examples of engagement risk and audit risk.
- Identify examples of Type I and Type II audit errors.
- Define the components of the audit risk model.
- Calculate risks using the audit risk model.
- Define the fundamental components of fraud.
- Explain the Fraud Triangle and its components.
- Identify characteristics of known incidences of fraudulent financial reporting.

Audit Planning

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 7.9:

- [Topic 7 \(“Audit Planning: Audit Risk and the Risk of Material Misstatement”\)](#)

Complete the following activities in your study journal:

- In your study journal, fill in the following table with either “H” (high) or “L” (low) to rate each of the following clients in terms of the level of engagement and audit risk. For example, a client may present a high engagement risk, but a low audit risk.

| | Engagement Risk | Audit Risk |
|--|------------------------|-------------------|
| 1. A large, well-known company with a reputable management team and a clean financial track record | | |
| 2. A small, lesser-known company with an honest management team and effective internal controls | | |
| 3. A global company with a world-famous brand that has a tendency to manipulate its financial statements | | |
| 4. A small, lesser-known company with poorly-designed internal controls | | |



- Classify each of the following errors as either a Type I error or a Type II error:

1. An auditor concludes that a specific control is operating effectively, when in fact it is not
2. An auditor concludes that a specific control is not operating effectively, when in fact it is

- Answer the following questions:

You work for an audit firm that has established an acceptable audit risk level of 5%. For each of the following scenarios, use the Audit Risk Model to determine whether the audit engagement will stay within the acceptable audit risk level:

1. Risk of material Misstatement = 60%; Detection Risk = 15%
2. Inherent Risk = 20%; Control Risk = 50%; Detection Risk = 50%
3. Inherent Risk = 75%; Control Risk = 66%; Detection Risk = 10%

For each of the following scenarios, determine the maximum level of detection risk (%) that is necessary in order to stay within the acceptable risk level of 5%:

4. Risk of Material Misstatement = 50%
5. Inherent Risk = 50%; Control Risk = 60%
6. Inherent Risk = 15%; Control Risk = 25%

Use the following information for questions 7 and 8:

You work for an audit firm that has established an acceptable audit risk level of 5%. The firm has also established the following rating system for assessing Inherent Risk and Control Risk:

| Qualitative | Quantitative |
|-------------|--------------|
| High | 75% - 100% |
| Moderate | 50% - 75% |
| Low | 25% - 50% |
| Very Low | 1% - 25% |

7. The client you are preparing to audit is a relatively new software company that was founded 2 years ago. The company is governed by a young, aggressive CEO who is preparing for the company's Initial Public Offering. The company has decent internal controls for most areas, but lacks internal controls for one particular area.
 - a. What qualitative and quantitative ratings would you give for this company's Inherent Risk?
 - b. What qualitative and quantitative ratings would you give for this company's Control Risk?
 - c. What level of Detection Risk is necessary in order to meet the acceptable audit risk level of 5%?
8. The client you are preparing to audit is an established manufacturing company that has thrived for decades. The management is experienced and tends to make conservative decisions in guiding the company. Previous audits of the company have all presented unqualified (positive) opinions. The company has internal controls for all areas, though



several of them are slightly outdated.

- a. What qualitative and quantitative ratings would you give for this company's Inherent Risk?
- b. What qualitative and quantitative ratings would you give for this company's Control Risk?
- c. What level of Detection Risk is necessary in order to meet the acceptable audit risk level of 5%?

For each of the following questions, identify which of the five components of fraud are present (see section 7.5 for the five components). Then indicate whether each incident was fraudulent in nature.

1. The founder of a startup accidentally omitted important financial information in a document that she provided to an investor. The investor lost significant capital as a result of the omission.
2. A manager purposely overstated his department's quarterly revenues and consequentially received a large salary bonus.
3. A new accountant at a corporation accidentally included some misinformation on a company financial statement, but the mistake did not cause significant loss for any of the parties involved.
4. A CFO of a large corporation decides to overstate a few items on the company's annual report. As a result, the company's stock price increases and all of the shareholders benefit.

Identify which items in the following list are examples of characteristics of known instances of fraudulent financial reporting, as outlined in the textbook:

1. The company reports its median assets and revenues at \$250 million
2. The company changed auditors before the incident occurred
3. The CFO was involved in the incident
4. The incident was concerned with potential improper revenue recognition
5. The company has used the same auditor for many years in a row
6. The CEO was involved in the incident
7. The company reports its median assets and revenues at \$98 million
8. The CTO was involved in the incident

If you would like further review, you may take the following optional quiz:

- Section 7.10 (["CPA Test Prep"](#))

Auditing Internal Controls

Internal controls establish safeguards within organizations. This section explores the role of the auditor in relation to a client's internal controls.

Internal Controls

This topic introduces the COSO internal control framework, the auditor's responsibility for a



client's internal control, and different types of internal control deficiencies.

This topic addresses the following competency:

- **Competency 3030.1.3: Auditing Internal Controls**
The graduate assesses the internal control environment to identify potential risks.

This topic highlights the following objectives:

- Explain the purpose of the COSO internal control framework.
- Describe the control components of the COSO framework as illustrated by the COSO cube.
- Describe the auditor's responsibility for their client's internal control when performing an audit.
- Define each type of internal control deficiency.

Internal Controls

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 8.10:

- [Topic 8 \("Internal Controls"\)](#)

Complete the following activity in your study journal:

- Summarize an auditor's responsibilities for their client's internal control when performing an audit (as outlined in section 8.6)

If you would like further review, you may take the following optional quiz:

- Section 8.11 (["CPA Test Prep"](#))

Performing Audit Procedures and Evaluating Evidence

The previous section outlined the steps for planning and preparing for an audit. This section covers the many facets of actually conducting the audit. These include sampling, analytical procedures, confirmations, and concluding the audit engagement.

Sampling

Sampling is central to conducting a successful audit. This section introduces the benefits of sampling, steps in the sampling process, various sampling techniques, and the process for evaluating the results of a sampling test.

This topic addresses the following competency:

- **Competency 3030.1.4: Performing Audit Procedures and Evaluating Evidence**
The graduate performs audit procedures for various accounts and evaluates evidence in accordance with generally accepted auditing standards.



This topic highlights the following objectives:

- Identify the benefits and potential costs of sampling versus auditing 100 percent of transactions.
- Explain the first five steps in the sampling process.
- Explain the difference between statistical and non-statistical sampling.
- Identify various sampling techniques.
- Explain factors to be considered when determining a sample size.
- Evaluate the results of a sampling test.

Sampling

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 10.11:

- [Topic 10 \("Sampling"\)](#)

Complete the following activities in your study journal:

- Write a comparison of the costs and benefits of each of the following practices:
 - auditing 100% of transactions
 - auditing a sample of transactions
- Write a brief description of important factors to be considered when determining a sample size for each of the following types of tests:
 - Test of Controls
 - Substantive Test of Details
- List the eight steps in the sampling process and write a brief description of how to perform each step

If you would like further review, you may take the following optional quiz:

- Section 10.12 (["CPA Test Prep"](#))

Audit Evidence: Analytical Procedures

This section introduces analytical procedures, provides a walkthrough of the analytical procedures process, and offers suggestions for ensuring high-quality execution of analytical procedures.

This topic addresses the following competency:

- **Competency 3030.1.4: Performing Audit Procedures and Evaluating Evidence**
The graduate performs audit procedures for various accounts and evaluates evidence in accordance with generally accepted auditing standards.

This topic highlights the following objectives:

- Define analytical procedures.



- Describe the key steps and requirements for performing each phase of the substantive analytical procedures process.
- Explain factors that can assist the auditor in improving the quality of substantive analytical procedures.

Watch the following videos:

- [Introduction to Sampling](#) (13:03)
- [Variables Sampling](#) (12:01)
- [Probability-Proportional-to-Size \(PPS\) Sampling](#) (14:41)

Analytical Procedures

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 11.10:

- [Topic 11 \(“Audit Evidence: Analytical Procedures”\)](#)

Complete the following activities in your study journal:

- List the five steps in the substantive procedures process and write a brief description of how to perform each step

If you would like further review, you may take the following optional quiz:

- Section 11.11 ([“CPA Test Prep”](#))

Watch the following video:

- [Analytical Procedures](#) (4:16)

Audit Evidence: Confirmations

This section introduces the benefits of using confirmations, types of confirmations, and procedures related to the use of confirmations.

This topic addresses the following competency:

- **Competency 3030.1.4: Performing Audit Procedures and Evaluating Evidence**
The graduate performs audit procedures for various accounts and evaluates evidence in accordance with generally accepted auditing standards.

This topic highlights the following objectives:

- Describe the benefits of obtaining evidence using confirmations.
- Explain the different types of audit confirmations.
- Describe the procedures for handling unreturned confirmations.
- Describe strategies for managing risks when using external confirmations.



Confirmations

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 12.7:

- [Topic 12 \(“Audit Evidence: Confirmations”\)](#)

Complete the following activities in your study journal:

- List the benefits of using confirmations as outlined in section 12.2
- Write a list of strategies for managing risks when using external confirmations.

If you would like further review, you may take the following optional quiz:

- Section 12.8 ([“CPA Test Prep”](#))

Concluding the Audit Engagement

This section introduces a variety of important factors in the auditing process, including contingent liabilities, the going concern assumption, and the auditor’s reviews of engagement quality.

This topic addresses the following competency:

- **Competency 3030.1.4: Performing Audit Procedures and Evaluating Evidence**
The graduate performs audit procedures for various accounts and evaluates evidence in accordance with generally accepted auditing standards.

This topic highlights the following objectives:

- Describe contingent liabilities and how to identify them.
- Classify events as Type I events and Type II events.
- Evaluate a company’s ability to continue as a going concern.
- Describe the purposes of the auditor’s reviews of engagement quality.

Concluding the Audit Engagement

Read the following sections in *Introduction to Auditing* and take the quiz at the end of each section:

- [Section 14.1 \(“Introduction”\)](#)
- [Section 14.2 \(“Consideration of Contingent Liabilities”\)](#)
- [Section 14.3 \(“Consideration of Subsequent Events”\)](#)
- [Section 14.4 \(“Auditor’s Responsibility for Subsequent Events”\)](#)
- [Section 14.5 \(“Evaluating the Going Concern Assumption”\)](#)
- [Section 14.9 \(“Quality Control Reviews”\)](#)

Complete the following activities in your study journal:



- Define contingent liabilities and list several examples.
- Write a definition for and give at least one example of each of the following:
 - Type I events
 - Type II events
- Provide a basic outline of the process you would undergo to evaluate a company's ability to continue as a going concern. Additionally, list the four conditions or events listed in the textbook that may influence the going concern evaluation.

Evaluating and Reporting Audit Findings

The final stage of the auditing process involves the analysis and reporting of the audit findings. This final section outlines both the analysis and reporting processes.

Evaluating Audit Findings

Auditors must review and analyze both the audit procedures and the audit evidence. This section outlines this final analysis.

This topic addresses the following competency:

- **Competency 3030.1.5: Evaluating and Reporting Audit Findings**
The graduate analyzes audit findings and prepares the final reports at the completion of an audit

This topic highlights the following objectives:

- Describe the final review of audit procedures and evidence.
- Identify the types of information an auditor must communicate with the audit committee.
- Describe the auditor's responsibility for subsequent discovery of relevant information.

Final Evaluation of Audit Procedures

View the following videos:

- [Evaluation of Misstatements Identified During the Audit](#) (5:30)
- [Audit Documentation](#) (9:35)

Read the following sections in *Introduction to Auditing* and take the quiz at the end of each section and the overall topic assessment in Section 14.12:

- Section 14.6 (["Final Evaluation of Audit Procedures and Audit Evidence"](#))
- Section 14.7 (["Communications with Management and the Audit Committee"](#))
- Section 14.8 (["Responsibilities for Subsequently Discovered Facts"](#))
- Section 14.10 (["Consideration of Omitted Audit Procedures"](#))
- Section 14.11 (["Conclusion"](#))
- Section 14.12 (["Overall Assessment"](#))

Complete the following activities in your study journal:



- List the six items that an auditor should evaluate during a final evaluation, and provide a description of how the auditor should evaluate each of them.
- List the information that auditors must communicate to the auditing committee during the final stages of the engagement.

If you would like further review, you may take the following optional quiz:

- Section 14.13 ([“CPA Test Prep”](#))

Audit Documentation

The concluding step in the auditing process is documenting the final reports. This section covers the different types of required documentation and the processes for completing them.

This topic addresses the following competency:

- **Competency 3030.1.5: Evaluating and Reporting Audit Findings**
The graduate analyzes audit findings and prepares the final reports at the completion of an audit

This topic highlights the following objectives:

- Describe the purposes of audit documentation.
- Describe the various types of audit documentation used by auditors.
- Describe the requirements for audit documentation completion and retention.

Audit Documentation

Read all of the sections of the following topic in *Introduction to Auditing*. Complete the quizzes at the end of each section and the overall topic assessment in Section 13.6:

- [Topic 13 \(“Audit Documentation”\)](#)

If you would like further review, you may take the following optional quiz:

- Section 13.7 ([“CPA Test Prep”](#))

Complete the following overall course assessment in preparation for your final assessment:

- Final Prep ([“Overall Topic Assessment”](#))

Final Steps

Congratulations on completing the activities in this course! You are now prepared to complete the associated assessment. If you have not already been directed to complete it, schedule and complete the assessment now.