**Vəliyeva Nəzrin\_Audit**

1. What is the objective and general principles of external audit engagements?
2. Statutory and non-statutory audit. Advantages of the non-statutory audit.
3. Explain the nature and development of audit and other assurance engagements.
4. What means the concepts of accountability, stewardship and agency?
5. Who need the audit report and why?
6. What is the difference between shareholders and managers needs of audit?
7. The five elements of an assurance engagement.
8. The types of assurance engagement.
9. Explain the level of assurance provided by an external audit and other review engagements and the concept of true and fair presentation.
10. Internal audit reviews.
11. Why companies need external audit?
12. Levels of assurance
13. Describe the regulatory environment within which external audits take place.
14. Auditor rights and duties.
15. How the auditors should be appointed?
16. Describe the regulations of auditor.
17. Eligibility to act as auditor.
18. Who is ineligible for appointment as a company auditor?
19. What is the function of IFAC?
20. Meaning of corporate governance.
21. Describe role and function of audit committees.
22. Main drawbacks of audit committees.
23. What is the Importance of internal control?
24. What is the recommendations of the OECD principles?
25. What should be disclosed in audit reports?
26. What are the fundamental principles of professional ethics?
27. Explain the accepting steps of audit appointments
28. Quality control on an individual audit
29. What is including to the scope of the internal audit function?
30. What is the role of internal audit?
31. Explain why the internal and independent external auditors' review of internal control procedures differ in purpose
32. Examples of internal audit assignments
33. What is the professional skepticism and professional judgement?
34. How to identify audit risks?
35. What is the overall audit risk?
36. What is the performance materiality?
37. Why do we need an understanding of entity?
38. How do we gain an understanding of entity?
39. How to recognize significant risks?
40. Fraudulent financial reporting.
41. The overall audit strategy and the audit plan
42. Which matters should be considered in establishing an overall audit strategy?
43. What is the audit plan?
44. What include audit documentation and files?
45. Why we need the audit evidence?
46. Types of the audit evidence.
47. Quality and quantity of the audit evidence.
48. Audit procedures to obtain audit evidence
49. What are the financial statement assertions?
50. What are the assertions about account balances and related disclosures at the period end?
51. Audit procedures to obtain audit evidence.
52. Explain the internal control system.
53. Show the entity's risk assessment process.
54. What should be included into control activities.
55. Why small companies face with the problem of control?
56. You are an audit senior of Audit Co and are responsible for planning the audit of Euro Co for the year ended 31 December 20X9. Euro Co is a charity which was established over five years ago. The charity's aim is to provide support to children from disadvantaged backgrounds who wish to take part in sports such as tennis, badminton and football. Euro Co has a detailed constitution which explains how the charity's income can be spent. The constitution also notes that expenditure relating to the administration of the charity cannot exceed 10% of the charity's income in any year. Euro Co currently employs three permanent members of staff. At present, 100 volunteers work for Euro Co: some commit up to three days a week and others help out on an ad hoc basis. The organisation, including its finance department, is primarily run by volunteers. The charity's income is derived wholly from voluntary donations. Sources of donations include the public in the form of cash collected in buckets by volunteers in shopping areas, and from generous individuals.
57. Based on your understanding of the nature of Euro Co you have identified that income is primarily in the form of cash. Which element of audit risk is increased by this fact?
58. Another identified audit risk is the susceptibility of Euro Co's business to fraud due to the high levels of cash involved. What can be included to audit responsibilities?
59. Local Co (LC) is a large mobile phone company which operates a network of stores in some countries. The company's year end is 30 June 20X9. You are the audit senior of CWP. LC is a new client and you are currently planning the audit with the audit manager. You have been provided with the following planning notes from the audit partner following his meeting with the finance director. LC purchases goods from a supplier in South America and these goods are shipped to the company's central warehouse. The goods are usually in transit for two weeks and the company correctly records the goods when received. LC does not undertake a year-end inventory count, but carries out monthly continuous (perpetual) inventory counts and any errors identified are adjusted in the inventory system for that month. During the year the company introduced a bonus based on sales for its sales persons. The bonus target was based on increasing the number of customers signing up for 24-month phone line contracts. This has been successful and revenue has increased by 15%, especially in the last few months of the year. The level of receivables is considerably higher than last year and there are concerns about the creditworthiness of some customers. LC has a policy of revaluing its land and buildings and this year has updated the valuations of all land buildings. During the year the directors have each been paid a significant bonus, and they have included this within wages and salaries. Separate disclosure of the bonus is required by local legislation. Describe audit risks, explain the auditor's response to each risk, in planning the audit of LC.
60. Local Co (LC) is a large mobile phone company which operates a network of stores in some countries. The company's year end is 30 June 20X9. You are the audit senior of CWP. LC is a new client and you are currently planning the audit with the audit manager. You have been provided with the following planning notes from the audit partner following his meeting with the finance director. LC purchases goods from a supplier in South America and these goods are shipped to the company's central warehouse. The goods are usually in transit for two weeks and the company correctly records the goods when received. LC does not undertake a year-end inventory count, but carries out monthly continuous (perpetual) inventory counts and any errors identified are adjusted in the inventory system for that month. During the year the company introduced a bonus based on sales for its sales persons. The bonus target was based on increasing the number of customers signing up for 24-month phone line contracts. This has been successful and revenue has increased by 15%, especially in the last few months of the year. The level of receivables is considerably higher than last year and there are concerns about the creditworthiness of some customers. LC has a policy of revaluing its land and buildings and this year has updated the valuations of all land buildings. During the year the directors have each been paid a significant bonus, and they have included this within wages and salaries. Separate disclosure of the bonus is required by local legislation. Explain the audit procedures you should perform in order to place reliance on the continuous (perpetual)

counts for year-end inventory.

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Describe substantive procedures you should perform to confirm the directors' bonus payments included in the financial statements.

60. The finance director has calculated a few key ratios for Label’s; the gross profit margin has increased from 44.4% to 52.2% and receivables days have increased from 61 days to 71 days. He is happy with the 20X4 results and feels that they are a good reflection of the improved trading levels.

**FINANCIAL STATEMENT EXTRACTS FOR YEAR ENDED 31 DECEMBER**

Draft Actual

20X4 20X3

Revenue 23.0 18.0

Cost of sales (11.0) (10.0)

Gross profit 12.0 8.0

Operating expenses (7.5) (4.0)

Profit before interest and taxation 4.5 4.0

Inventory 2.1 1.6

Receivables 4.5 3.0

Cash – 2.3

Trade payables 1.6 1.2

Overdraft 0.9 –

Calculate an additional THREE ratios, for BOTH years, which would assist the audit senior in planning the audit.

61. Quality Co are drafting their financial statements. An extract from their draft statement of financial position at

31 March 20X8 is set out below.

Non-current assets 450

Current assets:

Inventory 65

Receivables 110

Prepayments 30

Current liabilities:

Payables 30

Bank overdraft (Note) 50

Non-current liability:

Loan (75)

Ordinary share capital 400

Statement of profit or loss 100

Note: The bank overdraft first occurred on 30 September 20X7.

1. What is the quick ratio of the company?
2. What is the current ratio of the company?
3. A business operates on a gross profit margin of 331/3%. Gross profit on a sale was $800, and expenses were $680. What is the net profit margin?

62. Advantages and disadvantages of ICQs and ICEQs

63. The evaluation of internal control components

64. Explain the communication of deficiencies in internal control

65. What should be included to test of controls?

66. What is the sales and purchases system of test of controls?

67. What is the payroll and cash system of test of controls?

68. What is the inventory and NCA system of test of controls?

69. Explain the objectives of not-for-profit organisations.

70. Financial reporting for not-for profit organisations.

71. What is the difference in audit risk between NFP and commercial organisations?

72. Events occurring up to the date of the auditor's report.

73. Events or conditions that may cast doubt about the going concern assumption.

74. Management's responsibilities for going concern.

75. Explain the audit procedures applied in performing going concern reviews.