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| logo_unec  AZƏRBAYCAN DÖVLƏT İQTİSAD UNİVERSİTETİ |
| BEYNƏLXALQ İQTİSADİYYAT MƏKTƏBİ |
| BEYNƏLXALQ İQTİSADİYYAT (İNGİLİS DİLLİ) KAFEDRASI |

*Müəllimin adı: Ülkər Əskərzadə*

*Fənnin adı: Audit*

*Qrupun nömrəsi: 1063*

*Final questions*

**Mövzu 1: Audit and other assurance engagements**

***1***. Identify and describe the objective external audit engagements, define “Statutory” and “Non-statutory” audits and discuss the concepts of accountability, stewardship and agency.

***2***. There are different levels of assurance which may be provided depending on the nature of procedures performed and their results.Please state different types of engagement that can be carried out by practitioners and briefly describe them.

**Mövzu 2: Corporate governance**

***1***. Discuss the objectives, relevance and importance of corporate governance. State the OECD Principles of Corporate Governance.

***2***. State role and function of audit committees, their advantages and disadvantages.

***3.*** Discuss internal controls, their importance, effectiveness, responcibilities of directors and auditors in regards to internal controls.

***4***. Briefly discuss matters to be communicated by auditors to those charged with governance.

***5***. Your client, Mr Neville, has written to you saying he has been considering setting up an internal audit

department but has heard from his brother that he would be better off abandoning this idea and getting

the external auditor to do some assurance work instead. His brother also claimed that if the external

auditor does some work for the company, there would be no need to have an external audit.

Required

Write a letter to Mr Neville explaining the objectives, characteristics and responsibilities of internal audit, external audit and assurance.

***6.*** You are a recently qualified Chartered Certified Accountant in charge of the internal audit department of AZE Company, a rapidly expanding company. Revenue has increased by about 20% per annum for the last five years, to the current level of $50 million. Net profits are also high, with an acceptable return being provided for the four shareholders. The internal audit department was established last year to assist the board of directors in their control of the company and to prepare for a possible listing on the stock exchange. The Managing Director is keen to follow the principles of good corporate governance with respect to internal audit. However, he is also aware that the other board members do not have complete knowledge of corporate governance or detailed knowledge of International Auditing Standards.

Required

Write a memo to the board of AZE Company that:

(a) Explains how the internal audit department can assist the board of directors in fulfilling their

obligations under the principles of good corporate governance.

(b) Explains the advantages and disadvantages to AZE Company of an audit committee.

**Mövzu 3: Professional ethics**

***1***. Define and apply the fundamental principles of professional ethics of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

***2***. State the FIVE threats contained within ACCA’s Code of Ethics and Conduct and for each threat list ONE example of a circumstance that may create the threat.

***3***. Discuss such principle of ethics as confidenciality, factors to decide in whether to disclose confidential information or not. Define terms “Obligatory disclosure”, “Voluntary disclosure”, and “Disclosure in the public interest”.

***4***. Discuss in details threats to independence and objectivity such as Self-interest, safeguards to different tipes of self interest threts.

***5***. Discuss in details threats to independence and objectivity such as Self-review, safeguards to different tipes of self review threts.

***6***. Discuss in details threats to independence and objectivity such as Advocacy, Familiarity, and Intimidation and safeguards to them.

***7***. Discuss conflicts between members' and clients' interests, and conflicts between the interests of different clients and sagefuards to both cases.

***8***. Discuss the following situations in the context of the independence of the auditor, showing clearly the principles involved.

(4 situations)

**Mövzu 4: Internal audit**

***1.*** Please state what is meant by “Outsourcing the internal audit function” and state its main advantages and disadvantages.

***2.*** a) Explain why the internal and independent external auditors' review of internal control procedures differ in purpose.

b)Explain the reasons why internal auditors should or should not report their findings on internal control to the following company officials:

(i) The board of directors

(ii) The chief accountant

***3.*** Please state internal audit assignment types and explain main purpose of each of them.

***4***. What are the main distinctions between internal and external audit? Explain in details.

**Mövzu 5: Risk assessment**

***1***. Problem solving. Audit Risk

***2***. Explain the term 'audit risk' and describe in detail the components of audit risk

***3***. Problem solving. Identify potential risk for the audit and explain why you think they are risks.

***4***. Problem solving. Perform analytıcal procedures on the draft statement of profit or loss to identify possible risk areas requiring further audit work.

***5***. Problem solving. Perform analytıcal procedures on the draft statement of profit or loss to identify possible risk areas requiring further audit work.

**Mövzu 6: Introduction to audit evidence**

***1***. Define what audit evidence is and what are the Sufficiency and appropriateness of audit evidence and its relevance and reliability.

***2***. Please state different types of quality of audit evidence (Example: External, obtained by auditor, by entity, written, oral, original)

***3.*** Please state assertions about classes of transactions and events and related disclosures for the period under audit with brief explanations example: Occurrence Completeness Accuracy etc.

***4.*** Please state assertions about account balances and related disclosures at the period end (p 161 table) example: Existence, Rights and Obligations.

***5.*** Audit evidence can be obtained by inspection, observation, enquiry and confirmation, recalculation, reperformance and analytical procedures. Please explaine each of these.

***6.*** Discuss the quality of the following types of audit evidence, giving two examples of each form of evidence.

(i) Evidence originated by the auditors

(ii) Evidence created by third parties

(iii) Evidence created by the management of the client

***7.*** Occurrence, Completeness, Accuracy, Cut-off, Classification, and Presentation – Plase briefly explain each of these assertions and give at least one example for each.

***8.*** Please define “Tests of controls” and “Substantive procedures” and state the difference between them.

**Mövzu 7: Internal control**

***1***. Please state what internal control is and name 5 components of it with short description?

***2.***What “Control activities” is, why we need them in audit. Please state up to 5 examples of such activities.

***3.*** Please explain:

a) what segregation of duties mean with one example

b) what monitoring of controls is

***4.*** Any internal control system can only provide the directors with reasonable assurance that their objectives are reached, because of inherent limitations. These include: (Please state limitations of accounting and control systems.)

**Mövzu 8: The evaluation of internal control components**

***1***. Advantages and disadvantages of ICQs and ICEQs

***2***. Tests of control are distinguished from substantive tests which are designed to detect material misstatements in the financial statements. Tests of control may include the following.(Please state types of tests of controls) (Example: Inspection, Enquiry, Reperformance etc.)

***3.*** There are special considerations for auditors when a system is computerised. IT controls comprise general and application controls. Please define what general and aplication controls are.

**Mövzu 9: Tests of controls (Sales System)**

***1***. Please show the diagram illustrating the sales system.

***2***. You are the auditor of ABC Stationery, and you have been asked to suggest how audit work should be carried out on the sales system. ABC Stationery Ltd sells stationery to shops. Most sales are to small customers who do not have a sales ledger account. They can collect their purchases and pay by cash.

For cash sales:

(i) The customer orders the stationery from the sales department, which raises a pre-numbered multicopy order form.

(ii) The despatch department make up the order and give it to the customer with a copy of the order form.

(iii) The customer gives the order form to the cashier who prepares a handwritten sales invoice.

(iv) The customer pays the cashier for the goods by cheque or in cash.

(v) The cashier records and banks the cash.

Required

State the deficiencies in the cash sales system.

Describe the systems-based tests you would carry out to audit the controls over the system.

***3.*** In “Sales system” please state “Control objectives”, “Controls” and “Tests of controls” for covering ***Occurence and Existence*** assertion.

***4.*** In “Sales system” please state “Control objectives”, “Controls” and “Tests of controls” for covering ***Completeness*** assertion.

***5.*** In “Sales system” please state “Control objectives”, “Controls” and “Tests of controls” for covering ***Accuracy, Cut-off, Classification*** assertions.

**Mövzu 10: Tests of controls (Purchases System)**

***1.*** Please show the diagram illustrating the purchases system.

***2***. XYZ, a limited liability company, operates a computerised purchase system. Invoices and credit notes are posted to the purchases ledger by the purchases ledger department. The computer subsequently raises a cheque when the invoice has to be paid.

Required

List the controls that should be in operation:

(a) Over the addition, amendment and deletion of suppliers, ensuring that the standing data only

includes suppliers from the company's list of authorised suppliers

(b) Over purchase invoices and credit notes, to ensure only authorised purchase invoices and credit notes are posted to the purchase ledger.

***3.*** In “Purchases system” please state “Control objectives”, “Controls” and “Tests of controls” for covering ***Occurence and Existence*** assertion.

***4.*** In “Purchases system” please state “Control objectives”, “Controls” and “Tests of controls” for covering ***Completeness and Rights and Obligations*** assertions.

***5.*** In “Purchases system” please state “Control objectives”, “Controls” and “Tests of controls” for covering ***Accuracy, Cut-off, Classification*** assertions.

**Mövzu 11: Tests of controls (Inventory System)**

***1.*** There are three possible approaches to the audit of inventory and the approach chosen depends on the control system in place over inventory. Please write about them.

***2.*** In “Inventory system” please state “Control objectives”, “Controls” and “Tests of controls” for covering ***Accuracy, Cut-off, Presention*** assertions.

***3.*** In “Inventory system” please state “Control objectives”, “Controls” and “Tests of controls” for covering ***Occurence and Existence*** assertion.

**Mövzu 12: Audit procedures (Analitical procedures)**

1. Please discuss “Tests designed to discover errors” and “Tests designed to discover omissions”, what are their differences and why we need each of them?
2. What is “Analytical procedures” and why we need them? Give 2-3 examples of analytical procedures.
3. The ISA sets out 4 factors which influence the reliability of data. Please State them with exxamples
4. There are factors to consider when evaluating whether the expectation can be developed sufficiently precisely to identify a misstatement that may cause the financial statements to be materially misstated. Please state them with examples.
5. Analytical procedures can be performed using various techniques, ranging from simple comparisons to complex analyses using advanced statistical techniques. Please state which analytical techniques you know briefly explaining them.
6. Which important accounting ratios do you know? Please state them explaining what they express.
7. Risk management topic. Problem solving. Using analytical procedures, perform a test.
8. Risk management topic. Problem solving. Using analytical procedures, perform a test.

**Mövzu 13: Audit procedures – Sampling**

1. Please explain terms below:

a)An accounting estimate b)Estimation uncertainty c)Management's point estimate d)Auditor's point estimate or auditor's range. Give eExamples of accounting estimates.

***2.*** Auditors do not normally examine all the information available to them, as it would be impractical to do so, particularly given that the alternative of using audit sampling will produce valid conclusions. The methods which auditors can use to select items for testing are covered in ISA 500 Audit evidence. ISA 500 introduces three methods of selecting items for testing, these are – Please state them and explain each of them briefly.

***3.*** Auditors may select certain items from a population because of specific characteristics they possess. On which kind of characteristics may the auditors focus on? Please state them with explanations:

***4.*** What is audit sampling and why auditors use them? What is population and sample? Audit sampling can be done using either statistical sampling or non-statistical sampling methods.Please explain them.

1. Please explain terms below:

a)Sampling risk b)Non-sampling risk c)Sampling unit d)Stratification

***6.*** When statistical sampling is used, each sampling unit has a known probability of being selected. It is important that the auditor selects a representative sample, free from bias, by choosing sample items that have characteristics typical of the population. The main methods of selecting samples are random selection, systematic selection,haphazard selection, block selection and monetary unit sampling. Please discuss them:

**Mövzu 14: Inventory**

***1.*** What is cost and Net Realisable Value. What production costs include?

***2.*** What do you know about physical inventory count? What are the factors to consider when planning attendance at the inventory count?

***3.*** A business may count inventory by one or a combination of certain methods, please state them.

***4.*** What is cut-off, how auditors can test the cut-off ? Cut-off is most critical to the accurate recording of transactions in a manufacturing enterprise at particular points in the accounting cycle, please state such points.