

Topic A1 The concept of Audit and Other Assurance Engagements

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_80_c52_625730.htm A. Identify and describe the objective and general principles of external audit engagements ISA200 Objective and General Principles Governing an Audit of Financial Statements, the objective of an audit is ‘ to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. In our paper, the framework is International Financial Reporting Standards. The phrases used to express the auditor ’ s opinion are that the financial statements ‘ give a true and fair view ’ or ‘ present fairly in all material respects ’ . Financial statements include: Balance sheet Income statements Statements of changes in equity Cash flow statements Notes Any other explanatory materials (if possible) Auditors do not certify the financial statements or guarantee that the financial statements are correct. they report whether in their opinion they give a ‘ true and fair view ’ , or ‘ present fairly ’ the financial position. B. Explain the nature and development of audit and other assurance engagements An audit is a particular example of an assurance engagement. [由此可知,审计也是Assurance Engagement中的一种] International Framework for Assurance Engagements, an assurance engagement means an engagement in which a practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than

the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria. It is important to distinguish between the levels of assurance given by an audit (which gives a high level of assurance) and that given by other assurance engagements which depending on the nature of the engagement may give a lower level of assurance. Not all engagements carried out by professional accountants are assurance engagements. Positive assurance: an accountant reports that financial statements do give a true and fair view. 这个人 是好人 Negative assurance: an accountant reports that nothing has come to his attention to suggest that the financial statements do not give a true and fair view. 这个人 不坏./没有什么理由说他不好. C. Discuss the concepts of accountability, stewardship and agency The different between Accountability and Responsibility 马谡奉命守街亭，这是他的“ responsibility ”，在军师帐前立下军令状，乃至失街亭后被斩，是他的“ accountability ”。人们常说的“拿你是问”，小说中常读到的“提你的头来见我”，表达的都是“ accountability ”的概念。 Responsibility 是描述清楚一个人的职责是什么，应该干哪些事情，而 Accountability 是在此基础上告诉一个人要把这些事情干到符合什么要求，否则要受到什么惩罚。 C-1 The need for an audit centers on the requirements of the users of the accounts, the ‘ stakeholders ’. The financial statements account annually to the shareholders for the stewardship of the directors and management. There are also many other outside parties who use the financial statements as a basis for making decisions regarding a company. Bankers, trade and loan creditors as well as potential

investors and employees all have an interest in the state of the company's financial affairs. The independent audit requirement fulfills the need to ensure that those financial statements are objective, free from bias and manipulation and relevant to the needs of the users. The emphasis of the audit has shifted from the detailed checking of individual items towards an overall review of the systems in operation and the financial statements prepared from them.

C-2 Agency theory and auditing Agency relationships occur when one party, the principal, employs another, the agent, to perform a task on their behalf. Auditors have a potential conflict of interest in carrying out their function to the shareholders and also remaining on good terms with the directors. Agency theory predicts that, by behaving rationally, the agent can be motivated not to act against the interest of the principal.

D. Discuss the concepts of materiality, true and fair presentation and reasonable assurance

D-1 Materiality The concept of materiality is fundamental to the presentation and classification of data in financial statements. ISA320 Audit Materiality gives guidance on this topic, and its relationship with the risk that the auditor might give an inappropriate opinion on the financial statements. Such a risk is called 'audit risk'. Materiality has a role to play at two main stages of the audit: The planning stage (deciding what audit work to do) The report stage (deciding what opinion to give)

Definition of Materiality Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or

misstatement. Thus materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful. 100Test 下载频道开通，各类考试题目直接下载。详细请访问 www.100test.com