

教育部高校工商管理类教学指导委员会 双语教学推荐教材

PEARSON  
Prentice  
Hall



Business

工商管理经典教材·会计与财务系列

Administration Classics

# 审计学 一种整合方法

(第12版)

Auditing And Assurance Services  
An Integrated Approach  
(Twelfth Edition)

阿尔文·A·阿伦斯 (Alvin A. Arens)  
兰德尔·J·埃尔德 (Randal J. Elder) 著  
马克·S·比斯利 (Mark S. Beasley)  
雷光勇 改编

中国人民大学出版社

PEARSON  
Education

教育部高校工商管理类教学指导委员会双语教学推荐教材

F239.0/Y3=4

2009.

BUSINESS  
ADMINISTRATION  
CLASSICS

工商管理经典教材·会计与财务系列

Administration Classics

# 审计学 一种整合方法

(第12版)

**Auditing And Assurance Services**  
**An Integrated Approach**  
(Twelfth Edition)

阿尔文·A·阿伦斯 (Alvin A. Arens)  
兰德尔·J·埃尔德 (Randal J. Elder) 著  
马克·S·比斯利 (Mark S. Beasley)

言光勇 改编

中国人民大学出版社

· 北京 ·

图书在版编目 (CIP) 数据

审计学：一种整合方法 (第 12 版) / 阿伦斯等著；雷光勇改编.

北京：中国人民大学出版社，2009

教育部高校工商管理类教学指导委员会双语教学推荐教材.

工商管理经典教材·会计与财务系列

ISBN 978-7-300-10386-0

I. 审…

II. ①阿…②雷…

III. 审计学-双语教学-高等学校-教材-英文

IV. F239.0

中国版本图书馆 CIP 数据核字 (2009) 第 028428 号

教育部高校工商管理类教学指导委员会双语教学推荐教材

工商管理经典教材·会计与财务系列

**审计学：一种整合方法 (第 12 版)**

阿尔文·A·阿伦斯

兰德尔·J·埃尔德 著

马克·S·比斯利

雷光勇 改编

---

出版发行 中国人民大学出版社

社 址 北京中关村大街 31 号

邮政编码 100080

电 话 010-62511242 (总编室)

010-62511398 (质管部)

010-82501766 (邮购部)

010-62514148 (门市部)

010-62515195 (发行公司)

010-62515275 (盗版举报)

网 址 <http://www.crup.com.cn>

<http://www.ttrnet.com> (人大教研网)

经 销 新华书店

印 刷 涿州星河印刷有限公司

规 格 215 mm×275 mm 16 开本

版 次 2009 年 4 月第 1 版

印 张 34.75 插页 1

印 次 2009 年 4 月第 1 次印刷

字 数 1 049 000

定 价 52.00 元

---

版权所有 侵权必究 印装差错 负责调换

## 总 序

随着我国加入 WTO,越来越多的国内企业参与到国际竞争中来,用国际上通用的语言思考、工作、交流的能力也越来越受到重视。这样一种能力也成为我国各类人才参与竞争的一种有效工具。国家教育机构、各类院校以及一些主要的教材出版单位一直在思考,如何顺应这一发展潮流,推动各层次人员通过学习来获取这种能力。双语教学就是这种背景下的一种尝试。

双语教学在我国主要指汉语和国际通用的英语教学。事实上,双语教学在我国教育界已经不是一个陌生的词汇了,以双语教学为主的科研课题也已列入国家“十五”规划的重点课题。但从另一方面来看,双语教学从其诞生的那天起就被包围在人们的赞成与反对声中。如今,依然是有人赞成有人反对,但不论是赞成居多还是反对占上,双语教学的规模 and 影响都在原有的基础上不断扩大,且呈大发展之势。一些率先进行双语教学的院校在实践中积累了经验,不断加以改进;一些待进入者也在模仿中学习,并静待时机成熟时加入这一行列。由于我国长期缺乏讲第二语言(包括英语)的环境,开展双语教学面临特殊的困难,因此,选用合适的教材就成为双语教学成功与否的一个重要问题。我们认为,双语教学从一开始就应该使用原版的各类学科的教材,而不是由本土教师自编的教材,从而可以避免中国式英语问题,保证语言的原汁原味。各院校除应执行国家颁布的教学大纲和课程标准外,还应根据双语教学的特点和需要,适当调整教学课时的设置,合理选择优秀的、合适的双语教材。

顺应这样一种大的教育发展趋势,中国人民大学出版社同众多国际知名的大出版公司,如麦格劳-希尔出版公司、培生教育出版公司等合作,面向大学本科生层次,遴选了一批国外最优秀的管理类原版教材,涉及专业基础课,人力资源管理、市场营销及国际化管理等专业方向课,并广泛听取有着丰富的双语一线教学经验的教师的建议和意见,对原版教材进行了适当的改编,删减了一些不适合我国国情和不适合教学的内容;另一方面,根据教育部对双语教学教材篇幅合理、定价低的要求,我们更是努力区别于目前市场上形形色色的各类英文版、英文影印版的大部头,将目标受众锁定在大学本科生层次。本套教材尤其突出了以下一些特点:

- 保持英文原版教材的特色。本套双语教材根据国内教学实际需要,对原书进行了一定的改编,主要是删减了一些不适合教学以及不符合我国国情的内容,但在体系结构和内容特色方面都保持了原版教材的风貌。专家们的认真改编和审定,使本套教材既保持了学术上的完整性,又贴近中国实际;既方便教师教学,又方便学生理解和掌握。

- 突出管理类专业教材的实用性。本套教材既强调学术的基础性,又兼顾应用的广泛性;既侧重让学生掌握基本的理论知识、专业术语和专业表达方式,又考虑到教材和管理实践的紧密结合,有助于学生形成专业的思维能力,培养实际的管理技能。

- 体系经过精心组织。本套教材在体系架构上充分考虑到当前我国在本科教育阶段推广双语教学的进度安排,首先针对那些课程内容国际化程度较高的学科进行双语教材开发,在其专业模块内精心选择各专业教材。这种安排既有利于我国教师摸索双语教学的经验,使得双语教学贴近现实教学的需要;也有利于我们收集关于双语教学教材的建议,更好地推出后续的双语教材及教辅材料。

- 篇幅合理,价格相对较低。为适应国内双语教学内容和课时上的实际需要,本套教材进行了一定的删减和改编,使总体篇幅更为合理;而采取低定价,则充分考虑到了学生实际的购买能力,从而使本套教材得以真正走近广大读者。

- 提供强大的教学支持。依托国际大出版公司的力量,本套教材为教师提供了配套的教辅材料,如教师手册、PowerPoint 讲义、试题库等,并配有内容极为丰富的网络资源,从而使教学更为便利。



本套教材是在双语教学教材出版方面的一种尝试。我们在选书、改编及出版的过程中得到了国内许多高校的专家、教师的支持和指导，在此深表谢意。同时，为使我们的教材更适于教学，我们也真诚地期待广大读者提出宝贵的意见和建议。需要说明的是，尽管我们在改编的过程中已加以注意，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，望读者在阅读时注意比较和甄别。

徐二明  
中国人民大学

本套教材是在双语教学教材出版方面的一种尝试。我们在选书、改编及出版的过程中得到了国内许多高校的专家、教师的支持和指导，在此深表谢意。同时，为使我们的教材更适于教学，我们也真诚地期待广大读者提出宝贵的意见和建议。需要说明的是，尽管我们在改编的过程中已加以注意，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，望读者在阅读时注意比较和甄别。

本套教材是在双语教学教材出版方面的一种尝试。我们在选书、改编及出版的过程中得到了国内许多高校的专家、教师的支持和指导，在此深表谢意。同时，为使我们的教材更适于教学，我们也真诚地期待广大读者提出宝贵的意见和建议。需要说明的是，尽管我们在改编的过程中已加以注意，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，望读者在阅读时注意比较和甄别。

本套教材是在双语教学教材出版方面的一种尝试。我们在选书、改编及出版的过程中得到了国内许多高校的专家、教师的支持和指导，在此深表谢意。同时，为使我们的教材更适于教学，我们也真诚地期待广大读者提出宝贵的意见和建议。需要说明的是，尽管我们在改编的过程中已加以注意，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，望读者在阅读时注意比较和甄别。

本套教材是在双语教学教材出版方面的一种尝试。我们在选书、改编及出版的过程中得到了国内许多高校的专家、教师的支持和指导，在此深表谢意。同时，为使我们的教材更适于教学，我们也真诚地期待广大读者提出宝贵的意见和建议。需要说明的是，尽管我们在改编的过程中已加以注意，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，望读者在阅读时注意比较和甄别。

## 主持人语

### (一)

2006年9月,中国人民大学出版社的编辑与我们联系,探讨筹划出版一套会计学系列英文原版教材,我们立即表示愿意合作。

在谈论我国改革开放伟大事业时有一个常被提到的故事:20世纪70年代后期,西方发达国家和我国港澳台地区的企业家、投资人来到中国大陆寻求商机和洽谈合作,总是有两种职业人才相伴,那就是律师和会计师。律师帮助企业家、投资人探究资本的安全性和发展的法制环境,会计师则帮助企业家、投资人分析合作者的财务状况和潜在的投资获利前景。所以,改革开放初期首先面世的相关规范,就是“三资企业法规”和“三资企业会计制度”。

一个显然的事实是,法律不可能国际化(甚至在一个主权国家之内,也存在着地区间的立法差异)。而会计,则一直在朝着成为“国际商业语言”的方向发展。资产负债表、利润表、现金流量表、股东权益变动表等作为会计语言的载体,在全世界的企业家、金融家、资本市场交易者之间,都是基本一致或相似的通用交流工具;而财务报告的编制者和审计者,都在遵循着促成大家得以相互理解、逐渐走向趋同的会计和审计专业规则。

相应地,我国改革开放30多年来,在国际交流的知识融会中,与国际接轨最快的领域当属商学各学科知识,其中会计学更是走在前面。大学会计专业教学在积极采用翻译教材的同时,很早就尝试采用英文原版教材,让广大师生受益匪浅。近年来国内出版的会计类英文版教科书越来越多,几乎没有漏掉大家公认的好书。而在出版时间方面,有些教材在中国出版的影印版和翻译版,甚至与其在母国的原版实现了同步,这使得我们在接受新知识方面几乎不存在时间差。可见,知识领域是没有不可逾越的语言界限的。

不过,我们也注意到,目前我国国内已经出版的众多会计专业英文版教科书,对院校教育的主角——教师和学生——来说,存在着两个严重的弱项:一是多而不成体系,分别看,每本都不错,可是怎么配套呢?要知道,一桌盛宴不能只是道道好菜一股脑儿端上来,还得有荤素冷热搭配才行;二是篇幅厚重、价格吓人,动辄百元以上,别说多数学生买不起,就连教师们在书店也常常因囊中羞涩而犹豫再三,拿起又放下。

所以,我们很愿意与中国人民大学出版社的编辑一起,针对上述两个弱项来有意识地组织这套英文版改编教材。

### (二)

工作的第一步是组织团队。接受邀请的团队成員都是在院校教学一线的教师,分别来自中国人民大学、北京大学、厦门大学、上海财经大学、东北财经大学、北京师范大学、对外经济贸易大学、北京工商大学、北方理工大学、北京语言大学等。他们都拥有博士学位;英文功底都非常好;都已经教学中采用英文原版教材,从而深有体会;都在海内外核心期刊发表过学术论文;主持和参加的科学研究课题都得到国家自然科学基金、国家社会科学基金、国家博士后科学基金和教育部专项研究基金的大力支持。他们是会计教育和学术研究的中坚力量:其中两位获得2007年“教育部新世纪优秀人才支持计划”研究项目资助,四位曾留学英美,五位入选“首届全国会计学术带头人后备人才”。

第二步是选书。结合当前中国院校会计学专业培养学生的课程设置,在国际著名教育出版公司推荐的基础上,改编团队成员与中国人民大学出版社的编辑一起,选择能够配套成体系的英文教科书。然后请各位改编者提出意向,向国外版权公司提交改编方案,申请版权合同。目前选定的丛书都是在美国院校会计教育中享有盛誉的教科书,作者均为欧美会计、财务学界的知名学者和专业人士。其中有几本已经在国内出版多次翻译版,为

会计界人士所熟悉。

应该提到的一点是，这套丛书并不是封闭的，还计划继续增加新书，以不断充实和完善丛书体系。

第三步是确定改编原则。篇幅要缩小，但是力求改编后尽量保持全书结构的完整，主要是删除章后部分习题和附录，以及与我国实际情况相差较远、教学中不涉及的部分章节，使得改编后的书适合我国教学的实践。为了方便院校老师教学和学生学学习，在教材之外，还计划在中国人民大学出版社网站（[www.rdjg.com.cn](http://www.rdjg.com.cn)）上提供中英文对照的目录和术语表、教学辅助资料、习题、案例、英文 PPT 等，供老师们免费下载。

随着我国教育改革的深入发展，我国各大学的商学院都越来越重视双语教学，选择反映国外最新教学研究成果的英文原版教材，已经成为普遍要求。为此我们希望，这套丛书能为院校的同仁提供帮助，同时也欢迎提出批评指正意见和改进建议。

王立彦（北京大学光华管理学院）

耿建新（中国人民大学商学院）

# 改编者前言

## 一、教材改编目标

随着我国审计学教育的国际化程度日益提高,越来越多的学校开始直接采用国际原版教材进行教学,以适应中国经济的国际化程度提升、著名跨国公司与会计师事务所人才本土化,以及中国企业走向国际化发展的需要。然而,一个不争的事实是,直接采用国际原版教材需要考虑中国的现实需要。大多数原版教材都有篇幅大、价格高与内容多的特点,不符合中国目前的教学环境。这就需要任课教师既考虑国际主流教学内容与教学模式为我所用的特点,又考虑中国特定背景对国际教材内容的限制与多数学生承受能力的制约,对所引进的原版教材进行必要的取舍,以使其更适合中国教学环境,便成为我们改编原版审计学教材的基本出发点。为此,我们特选择阿尔文·A·阿伦斯(Alvin A. Arens)等合著的《审计学:一种整合方法》第12版,作为本次改编的教材。

## 二、原版教材特色

阿尔文·A·阿伦斯、兰德尔·J·埃尔德(Randal J. Elder)、马克·S·比斯利(Mark S. Beasley)合著的审计学教材《审计学:一种整合方法》,是美国最经典的现代审计学教材之一,并有多种版本被翻译成中文出版。由于该教材首次倡导“交易循环审计”(切块审计)思想并深刻体现出当代审计学不断创新、不断反映审计环境的动态变化、不断切合实务的思想,而备受审计理论界、教育界与实务界的推崇。在中国,该教材曾经受到我国已故著名会计学家杨时展先生的高度重视、推介与运用,并组织了该书的最初引介与翻译工作。

该书至今已修订至第12版,每一版都会增加许多新的特色内容。我们认为,第12版具有以下几个方面的特色:

(1) 将新的风险评估准则(SAS No. 112)及与公司治理负责人沟通的准则(SAS No. 114)覆盖全书的各个方面;

(2) 将2002年出台并正式实施的美国《萨班斯-奥克斯利法案》(SOX法案)中第404分部和公众公司会计监督委员会第2号审计准则的基本要求,贯穿于本书的各个部分;

(3) 继续贯彻“交易循环审计”的思想,交易循环审计思想的提出在学术界和实务界具有重要影响,它不仅考虑现代审计理论发展的需要与审计实务经验的总结,而且深刻地提炼出审计实务中各具体业务之间的内在逻辑联系所体现的规律性,为提高审计效率、节约审计成本、控制审计风险奠定了理论与实践基础;

(4) 注重舞弊审计在当代审计学中的地位与作用,并一以贯之至今,且与当代资本市场上仍然存在并日益严重的财务报告舞弊事实相适应,反映最新的舞弊审计技术发展,其有关舞弊审计的若干思想、观点与方法已成为学术界的经典;

(5) 继续强调审计中最基本的概念在于,审计人员在考察某个特定审计环境时需要搜集的证据的性质和数量;

(6) 对属于非传统审计业务内容的其他鉴证业务,如认证服务、复审和编译服务、商定程序服务、保证业务等,也给予了足够的重视。

## 三、改编内容说明

本次教材改编本着既忠实于原版教材的核心内容,又照顾中国现实背景要求的原则,主要改编思路为:

(1) 对各保留章的核心内容基本不动,仅将阅读性的辅助性材料删去;(2) 删去各保留章后的“基本术语”、部分习题、“案例讨论”等,而将这部分内容以打包的形式,在有关网站上挂出,以方便教师教学与学生学习;



(3) 删去书末的“索引”; (4) 将我国目前审计实务中用得很少的第12, 25, 26章的内容删去。另外, 尽管第11章的舞弊审计是本书的一大特色, 考虑到其具有专题性质, 我们认为, 在后续的专题审计课中开设此内容比较合适, 因而也将其删除; 第17和20章分别只是第16和19章的深化, 其内容仅涉及方法的运用, 考虑到全书的篇幅限制, 也将其删除。

改编后的主要内容如下:

第一部分: 审计职业(第1~5章)。第1章主要介绍SOX法案的关键规定, 包括公众公司会计监督委员会的成立和第404号内部控制报告的要求。第2章涉及注册会计师职业, 特别强调了公众公司会计监督委员会的准则制定职责, 以及这些职责与美国注册会计师审计准则委员会职责的区别。第3章具体分析了审计报告, 包括财务报告审计和内部控制审计联合报告的独立分部, 还强调了审计环境因素的变化是如何影响审计人员提供的报告类型, 以及在不同情况、不同重要性水平下使用的报告类型。第4章阐述了道德困境、职业道德、独立性以及《美国注册会计师职业行为准则》。第5章以关于审计人员的法律责任的调查研究结束本部分。

第二部分: 审计程序(第6~11章)。第6和7章的主要内容包括审计人员和管理层的责任、审计目标、审计证据收集的主要方法和审计文件的制作。第8章涉及分析性复核方法在审计计划阶段的应用。第9章介绍重要性和风险的概念及其对审计的影响。第10章介绍在对财务报表进行审计时, 有效的内部控制能提供怎样的帮助, 以减少审计计划阶段对审计程序的要求。第11章主要阐述审计人员怎样对内部控制的有效性和审计的控制风险进行评估, 并以此作为对上市公司财务报表进行审计并发表意见的基础。

第三部分: 在对销售和收款循环进行审计时审计程序的实施(第12~14章)。这一部分的章节是第二部分的有关概念在对与利润表和资产负债表相关的销售收入和应收账款进行审计时的具体运用。无论是对财务报表、内部控制, 还是在对销售和收款循环的相关账户进行审计时, 适当的审计程序都与内部控制情况、控制测试的审计目标、对各交易事项的实质性测试以及对账户余额的测试相关。学习者要掌握在对销售收入和应收账款进行审计的时候, 如何进行审计抽样。在实务中, 随机抽样受到越来越多的重视。对此, 第13章强调了随机抽样的方法和非随机抽样的方法。第14章以对在控制性测试和实质性测试阶段进行审计抽样的总体讨论为出发点, 介绍了随机抽样方法的应用。

第四部分: 在对其他循环进行审计时审计程序的实施(第15~19章)。这部分是关于对特定的交易循环以及交易循环中的某一部分进行审计的时候审计程序的实施, 主要方法和第二部分所介绍的类似。第四部分的各章旨在向读者展示在对资产负债表和利润表中各相关账户和交易进行审计时, 内部控制、控制性测试和实质性测试之间的关系, 在我们的讨论中包含了控制性测试在各个交易循环中的具体运用。银行存款的审计将在本书的后面部分进行讲述, 以揭示现金余额的审计和其他审计领域之间的相关性。

第五部分: 审计完结阶段(第20章)。这部分仅有一章内容, 主要包括财务报表和内部控制审计中对所有审计测试的总结、对审计文件的复核、获取管理当局承诺书以及审计终结阶段的其他事项。

尽管我们在改编过程中尽量考虑我国审计学教学与学习的特点, 对原版教材的内容作了自认为合理的删减, 但仍然难以做到尽善尽美, 因此恳请本书的使用者提出宝贵意见。

为方便老师教学和学生学学习, 中国人民大学出版社工商管理出版分社的网站 [www.rdjg.com.cn](http://www.rdjg.com.cn) 上为老师提供了丰富的原版教辅资源, 如英文PPT、教师指导手册、习题解答、题库及生成题库的软件、其他, 老师可上网注册并经人大出版社确认后免费下载; 另外还为广大读者提供了原版书中被删除的习题、部分整体章节, 中英文对照的术语表, 中英文对照的原版书目录等, 有兴趣的读者可上网直接下载。

雷光勇

# PREFACE\*

## INTEGRATED APPROACH FOR RISK ASSESSMENT AND AUDIT DECISION-MAKING

*Auditing and Assurance Services: An Integrated Approach* is an introduction to auditing and other assurance services. It is intended for either a one-quarter or one-semester course at the undergraduate or graduate level. This book is also appropriate for introductory professional development courses for CPA firms, internal auditors, and government auditors.

The primary emphasis in this text is on the auditor's decision-making process in both an audit of financial statements and an audit of internal control over financial reporting. We believe that the most fundamental concepts in auditing concern determining the nature and amount of evidence the auditor should gather after considering the unique circumstances of each engagement. If students of auditing understand the objectives to be accomplished in a given audit area, the risks related to the engagement, and the decisions to be made, they should be able to determine the appropriate evidence to gather and how to evaluate the evidence obtained.

As the title of this book reflects, our purpose is to integrate the most important concepts of auditing in a logical manner to assist students to understand audit decision making and evidence accumulation in today's complex auditing environment. For example, the risk assessment standards issued by the Auditing Standards Board (SASs 103-111) are integrated into all of the planning chapters, as well as each chapter dealing with a particular transaction cycle and related accounts. Internal control is related to tests of controls and substantive tests of transactions that are performed in both an audit of financial statements and an audit of internal control over financial reporting. Tests of controls and substantive tests of transactions are, in turn, related to the tests of details of financial statement balances for the area. Audit sampling is applied to the evaluation of audit evidence rather than treated as a separate topic. Risk assessment, technology, fraud, and auditing of internal control issues are integrated throughout the chapters.

## KEY FEATURES IN THE TWELFTH EDITION

New auditing standards are released without regard to textbook revision cycles. As auditing instructors, we appreciate how critical it is to have the most current content available. This edition includes coverage of the new risk assessment standards and the new standards related to communications to those charged with governance (SAS Nos. 112 and 114). A supplement on the risk assessment standards, which are now incorporated in this edition, was provided for adopters after their release for use with the 11th edition of the text. As we have since the adoption of the Sarbanes-Oxley Act, we are committed to continually providing you with up-to-date content in this dynamic auditing environment. We will keep you updated with highlights posted on our Web site of major changes in new standards as they are issued.

### Current Coverage

\*前言中提到的部分内容在改编时已作了调整和精简，但为使读者了解原书概貌，前言未作改动，仍保持原貌。——改编者注

---

**Coverage of Risk  
Assessment Standards**

The requirements of the risk assessment standards issued by the Auditing Standards Board are integrated throughout the text. Chapter 2 includes changes to generally accepted auditing standards, including the requirement in the second standard of fieldwork that the auditor gain an understanding of the entity and its environment, including internal control. We have always emphasized understanding the client's business and industry in planning, and incorporate the risk assessment procedures required by the risk assessment standards in our coverage of planning in Chapter 8 and throughout the text.

The risk assessment standards include three categories of assertions related to transactions and events, account balances, and presentation and disclosures. These are described in Chapter 6, related to the phases of the audit in Chapter 13, and applied to transaction cycles and tests of account balances throughout the text. Additional tests the auditor performs to address presentation and disclosure objectives are discussed in Chapter 24 on completing the audit.

---

**ACL Problems**

CPA firms are increasingly using audit software to perform audit testing including tests for fraud. We have included selected problems using ACL in several chapters in the text. These problems are related to the topic of the chapter so that students can see how audit software is used to perform specific types of audit tests. Additional guidance for students on the use of ACL is included both on the text Web site and as an appendix to the text. The educational version of ACL software is included with every new copy of this edition.

---

**Coverage of the  
Sarbanes-Oxley Act and  
Section 404 Reporting**

The requirements of the Sarbanes-Oxley Act, including Section 404 and PCAOB Auditing Standard 2, are integrated throughout the text. We provide extensive coverage of internal controls to help provide students with the understanding of controls necessary to perform a 404 audit, as well as meet the requirements of the risk assessment standards.

---

**Hillsburg Hardware  
Annual Report**

The annual report for the Hillsburg Hardware Company is included as a four-color insert to the text. Financial statements and other information included in the annual report are used in examples throughout the text to illustrate chapter concepts. The annual report also includes management's report on internal control required by Section 404.

---

**Pinnacle Manufacturing  
Integrated Case**

The Pinnacle Manufacturing integrated case is based on a large, multi-division company. The case consists of six parts included at the end of the chapter to which that part relates. Each part of the case is designed to give students hands-on experience, and the parts of the case are connected so that students will gain a better understanding of how the parts of the audit are integrated by the audit process.

---

**Additional Features**

Increased use of bullets and numbering and a larger font size enhance the readability of the text and help students retain key concepts. All chapters include an Internet-based case/homework assignment that requires students to use the Internet to research relevant auditing issues. New or revised problems are included in most chapters.

---

**ORGANIZATION**

The text is divided into six parts. The chapters are relatively brief and designed to be easily read and comprehended by students.

**Part 1, The Auditing Profession (Chapters 1–5)** The book begins with an opening vignette, featuring the WorldCom fraud, to help students begin to see the connection between recent frauds and the new responsibilities for auditing internal control and other requirements of the Sarbanes-Oxley Act. Chapter 1 introduces key provisions of

the Act, including the creation of the PCAOB and Section 404 internal control reporting requirements. Chapter 2 covers the CPA profession, with particular emphasis on the standards setting responsibilities of the PCAOB and how those responsibilities differ from those of the Auditing Standards Board (ASB) of the AICPA. Chapter 3 provides a detailed discussion of audit reports, including a separate section on the combined report for the integrated audit of financial statements and internal control for a public company. The chapter also emphasizes conditions affecting the type of report the auditor must issue and the type of audit report applicable to each condition under varying levels of materiality. Chapter 4 explains ethical dilemmas, professional ethics, independence, and the *AICPA Code of Professional Conduct*. Chapter 5 ends this part with an investigation of auditors' legal liability.

**Part 2, The Audit Process (Chapters 6–13)** The first two of these chapters deal with auditor and management responsibilities, audit objectives, general concepts of evidence accumulation, and audit documentation, including the management assertions and evidence concepts in the risk assessment standards. Chapter 8 deals with planning the engagement, including understanding the company's business and its industry as part of risk assessment procedures, and using analytical procedures as an audit tool. Chapter 9 introduces materiality and risk and how the auditor responds to risks of significant misstatement with further audit procedures. Chapter 10 shows how effective internal controls can reduce planned audit evidence in the audit of financial statements. Most of the chapter describes how public company auditors integrate evidence to provide a basis for their report on the effectiveness of internal control over financial reporting with the assessment of control risk in the financial statement audit. Fraud auditing is the focus of Chapter 11 and describes the auditor's responsibility for assessing fraud risk and detecting fraud. The chapter also includes specific examples of fraud and discusses warning signs and procedures to detect fraud. Chapter 12 addresses the most important effects of information technology on internal controls in businesses, risks the auditor must consider, and audit evidence changes. Chapter 13 summarizes Chapters 6 through 12 and integrates them with the remainder of the text.

**Part 3, Application of the Audit Process to the Sales and Collection Cycle (Chapters 14–17)** These chapters apply the concepts from Part 2 to the audit of sales, cash receipts, and the related income statement and balance sheet accounts. The appropriate audit procedures for accounts in the sales and collection cycle are related to internal control and audit objectives for tests of controls, substantive tests of transactions, and tests of details of balances in the context of both the audit of financial statements and audit of internal control over financial reporting.

Students also learn to apply audit sampling to the audit of sales, cash receipts, and accounts receivable. Chapter 15 begins with a general discussion of audit sampling for tests of controls and substantive tests of transactions. Similarly, Chapter 17 begins with general sampling concepts for tests of details of balances. The next topic in each chapter is extensive coverage of nonstatistical sampling. The last part of each chapter covers statistical sampling techniques.

**Part 4, Application of the Audit Process to Other Cycles (Chapters 18–23)** Each of these chapters deals with a specific transaction cycle or part of a transaction cycle in much the same manner as Chapters 14 through 17 cover the sales and collection cycle. Each chapter in Part IV demonstrates the relationship of internal controls, tests of controls, and substantive tests of transactions for each broad category of transactions to the related balance sheet and income statement accounts. We integrate discussion of implications related to the audit of internal control throughout all these transaction cycle chapters. Cash in the bank is studied late in the text to demonstrate how the audit of cash balances is related to most other audit areas.



**Part 5, Completing the Audit (Chapter 24)** This part includes only one chapter, which deals with performing additional tests to address presentation and disclosure objectives, summarizing all audit tests, reviewing audit documentation, obtaining management representations in an integrated audit of financial statements and internal control, communicating with those charged with governance, and all other aspects of completing an audit.

**Part 6, Other Assurance and Nonassurance Services (Chapters 25 and 26)** The last two chapters deal with various types of engagements and reports, other than the audit of financial statements using generally accepted accounting principles. Topics covered include assurance services, review and compilation services, agreed-upon procedures engagements, attestation engagements, other audit engagements, internal financial auditing, governmental financial auditing, and operational auditing.

A. A. A.  
R. J. E.  
M. S. B.



# CONTENTS

## **PART 1 The Auditing Profession**

### **1**

#### **The Demand for Audit and Other Assurance Services 3**

##### **Learning Objectives 3**

Nature of Auditing 4

Distinction Between Auditing and Accounting 6

Economic Demand for Auditing 6

Assurance Services 8

Types of Audits 13

Types of Auditors 14

Certified Public Accountant 16

### **2**

#### **The CPA Profession 21**

##### **Learning Objectives 21**

Certified Public Accounting Firms 22

Activities of CPA Firms 23

Structure of CPA Firms 24

Sarbanes-Oxley Act and Public Company Accounting Oversight Board 26

Securities and Exchange Commission 26

American Institute of Certified Public Accountants (AICPA) 27

Generally Accepted Auditing Standards 29

Statements on Auditing Standards 31

International Standards on Auditing 32

Quality Control 32

### **3**

#### **Audit Reports 39**

##### **Learning Objectives 39**

Standard Unqualified Audit Report 40

Combined Reports on Financial Statements and Internal Control Over Financial

Reporting Under Section 404 of the Sarbanes-Oxley Act 43

Unqualified Audit Report with Explanatory Paragraph or Modified Wording 45

Departures from an Unqualified Audit Report 49

Materiality 50

Discussion of Conditions Requiring a Departure 53

Auditor's Decision Process for Audit Reports 56

Impact of E-Commerce on Audit Reporting 59

### **4**

#### **Professional Ethics 65**

##### **Learning Objectives 65**

What Are Ethics? 66

Ethical Dilemmas 67

Special Need for Ethical Conduct in Professions 70

Code of Professional Conduct 71

Independence 75

Independence Rule of Conduct and Interpretations 78

Other Rules of Conduct 82

Enforcement 89

**Legal Liability 95****Learning Objectives 95**

- Changed Legal Environment 96
- Distinguishing Business Failure, Audit Failure, and Audit Risk 97
- Legal Concepts Affecting Liability 98
- Liability to Clients 100
- Liability to Third Parties Under Common Law 103
- Civil Liability Under the Federal Securities Laws 105
- Criminal Liability 109
- The Profession's Response to Legal Liability 110
- Protecting Individual CPAs from Legal Liability 112

**PART 2 The Audit Process****Audit Responsibilities and Objectives 119****Learning Objectives 119**

- Objective of Conducting an Audit of Financial Statements 120
- Management's Responsibilities 121
- Auditor's Responsibilities 122
- Financial Statement Cycles 125
- Setting Audit Objectives 130
- Management Assertions 131
- Transaction-Related Audit Objectives 134
- Balance-Related Audit Objectives 135
- Presentation and Disclosure-Related Audit Objectives 138
- How Audit Objectives Are Met 139

**Audit Evidence 145****Learning Objectives 145**

- Nature of Evidence 146
- Audit Evidence Decisions 147
- Persuasiveness of Evidence 148
- Types of Audit Evidence 151
- Audit Documentation 159

**Audit Planning and Analytical Procedures 171****Learning Objectives 171**

- Planning 172
- Accept Client and Perform Initial Audit Planning 173
- Understand the Client's Business and Industry 177
- Assess Client Business Risk 182
- Perform Preliminary Analytical Procedures 184
- Summary of the Parts of Audit Planning 184
- Analytical Procedures 185
- Five Types of Analytical Procedures 187
- Common Financial Ratios 193

**Materiality and Risk 201****Learning Objectives 201**

- Materiality 202
- Set Preliminary Judgment about Materiality 203
- Allocate Preliminary Judgment about Materiality to Segments (Tolerable Misstatement) 206
- Estimate Misstatement and Compare with Preliminary Judgment 209
- Risk 211
- Types of Risks 213
- Assessing Acceptable Audit Risk 215
- Assessing Inherent Risk 217
- Relationship of Risks to Evidence and Factors Influencing Risks 219
- Evaluating Results 225

**10****Section 404 Audits of Internal Control and Control Risk 233****Learning Objectives 233**

Internal Control Objectives 234

Management and Auditor Responsibilities for Internal Control 235

COSO Components of Internal Control 238

Obtain and Document Understanding of Internal Control 246

Assess Control Risk 248

Tests of Controls 255

Decide Planned Detection Risk and Design Substantive Tests 258

Section 404 Reporting on Internal Control 258

Evaluating, Reporting, and Testing Internal Control for Nonpublic Companies 259

**11****Overall Audit Plan and Audit Program 269****Learning Objectives 269**

Types of Tests 270

Selecting Which Types of Tests to Perform 275

Impact of Information Technology on Audit Testing 278

Evidence Mix 279

Design of the Audit Program 280

**PART 3****Application of the Audit Process to the Sales and Collection Cycle****12****Audit of the Sales and Collection Cycle: Tests of Controls and Substantive Tests of Transactions 301****Learning Objectives 301**

Accounts and Classes of Transactions in the Sales and Collection Cycle 302

Business Functions in the Cycle and Related Documents and Records 303

Methodology for Designing Tests of Controls and Substantive Tests of Transactions for Sales 307

Sales Returns and Allowances 318

Methodology for Designing Tests of Controls and Substantive Tests of Transactions for Cash Receipts 318

Audit Tests for the Write-off of Uncollectible Accounts 320

Additional Internal Controls over Account Balances and

Presentation and Disclosure 323

Effect of Results of Tests of Controls and Substantive Tests of Transactions 323

**13****Audit Sampling for Tests of Controls and Substantive Tests of Transactions 329****Learning Objectives 329**

Representative Samples 330

Statistical Versus Nonstatistical Sampling and Probabilistic Versus Nonprobabilistic Sample Selection 331

Nonprobabilistic Sample Selection Methods 332

Probabilistic Sample Selection Methods 333

Sampling for Exception Rates 336

Application of Nonstatistical Audit Sampling 337

Statistical Audit Sampling 353

Sampling Distribution 353

Application of Attributes Sampling 354

**14****Completing the Tests in the Sales and Collection Cycle: Accounts Receivable 365****Learning Objectives 365**

Methodology for Designing Tests of Details of Balances 366

Designing Tests of Details of Balances 372

Confirmation of Accounts Receivable 378

Developing Tests of Details Audit Program 383

---

## **PART 4      Application of the Audit Process to Other Cycles**

**15**

### **Audit of the Payroll and Personnel Cycle    393**

#### **Learning Objectives    393**

Accounts and Transactions in the Payroll and Personnel Cycle    394

Business Functions in the Cycle and Related Documents and Records    394

Methodology for Designing Tests of Controls and Substantive Tests of Transactions    398

Methodology for Designing Tests of Details of Balances    403

**16**

### **Audit of the Acquisition and Payment Cycle: Tests of Controls, Substantive Tests of Transactions, and Accounts Payable    411**

#### **Learning Objectives    411**

Accounts and Classes of Transactions in the Acquisition and Payment Cycle    412

Business Functions in the Cycle and Related Documents and Records    412

How E-Commerce Affects the Acquisition and Payment Cycle    416

Methodology for Designing Tests of Controls and Substantive Tests of Transactions    417

Methodology for Designing Tests of Details of Balances for Accounts Payable    423

**17**

### **Audit of the Inventory and Warehousing Cycle    437**

#### **Learning Objectives    437**

Business Functions in the Cycle and Related Documents and Records    438

How E-Commerce Affects Inventory Management    440

Parts of the Audit of Inventory    441

Audit of Cost Accounting    443

Analytical Procedures    446

Methodology for Designing Tests of Details of Balances    447

Physical Observation of Inventory    448

Audit of Pricing and Compilation    450

Integration of the Tests    454

**18**

### **Audit of the Capital Acquisition and Repayment Cycle    461**

#### **Learning Objectives    461**

Accounts in the Cycle    462

Notes Payable    464

Owners' Equity    467

**19**

### **Audit of Cash Balances    477**

#### **Learning Objectives    477**

Cash in the Bank and Transaction Cycles    478

Types of Cash Accounts    480

Audit of the General Cash Account    481

Fraud-Oriented Procedures    488

Audit of the Imprest Payroll Bank Account    493

Audit of Imprest Petty Cash    493

---

## **PART 5      Completing the Audit**

**20**

### **Completing the Audit    499**

#### **Learning Objectives    499**

Perform Additional Tests for Presentation and Disclosure    500

Review for Contingent Liabilities and Commitments    501

Review for Subsequent Events    506

Final Evidence Accumulation    509

Evaluate Results    513

Issue the Audit Report    517

Communicate with the Audit Committee and Management    517

Subsequent Discovery of Facts    519

**Appendix: Hillsburg Hardware Company 2007 Annual Report    524**