

世界财经与管理教材大系

内容提要

本书专为四年制本科审计课程而著。作者旨在帮助学生理解如何进行审计判断和收集证据并力求反映职业界有关证明和鉴证服务的变化。

突出特点:

1. 案例教学: 通过百事可乐、施乐、通用汽车、IBM等各公司的案例, 反映了审计行业的真实情况。

2. 启发式学习方法: 本书设计了30多个研究项目, 用以揭示诸如: 财务造假、不道德的职业行为、诉讼、运用INTERNET了解客户信息等问题。

3. 电子信息系统: 书中涵盖了局域网、计算机和辅助审计技术、互联网络等昭示着职业界变革的新内容。

本版新意:

1. 鉴证服务: 通过毕马威、安永等公司的实际经验反映了鉴证与证明服务是超越传统财务报表审计的新变革。

2. 教师参考: 书中不仅提供了一些课堂讨论的小案例和问题, 还提供了一些要点、重点和作业等。

作者简介

大卫·N.雷其尤特, 圣母大学教授。

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Auditing & Assurance Services

大卫·N. 雷其尤特 著

David N. Ricchiute

东北财经大学出版社

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出版者的话

但凡成事，均缘于势。得势则事成，失势则事不顺。顺势而行，如顺水行舟；借势而动，如假梯登高；造势而为，如太空揽月。治学、从政、经商、置业，均不可一日失势。势者，长处、趋势也。

今日中国，是开放的中国；当今世界，是开放的世界。改革开放，大势所趋，势不可挡。经济开放、文化开放、政治开放，世界需要一个开放的中国，中国更要融入开放的世界。借鉴国际惯例，学习他人之长，已经到了不可不为之时。

借鉴国际惯例，学习他人之长，已属老生常谈，但学什么、如何学、以何为蓝本为众多志士仁人所关注。可喜的是，由赤诚图文信息有限公司精心策划，ITP、McGraw-Hill及Simon & Schuster等国际出版公司特别授权，东北财经大学出版社荣誉出版的“世界财经与管理教材大系”现已隆重面世！她以“紧扣三个面向，精选五大系列，奉献百部名著，造就亿万英才”的博大胸襟和恢弘气势，囊括经济学、管理学、财务与会计学、市场营销学、商务与法律等财经、管理类主干学科，并根据大学教育、研究生教育、工商管理硕士（MBA）和经理人员培训项目（ETP）等不同层次的需要，相应遴选了具有针对性的教材，可谓体系完整，蔚为大观。所选图书多为哈佛、斯坦福、麻省理工、伦敦商学院、埃维商学院等世界一流名校的顶尖教授、权威学者的经典之作，在西方发达国家备受推崇，被广为采用，经久不衰，大有“洛阳纸贵”之势。

借鉴国际惯例，毕竟只是因势而动；推出国粹精品，才是造势而为。在借鉴与学习的同时，更重要的是弘扬民族精神，创建民族文化。“民族的，才是国际的”。我们提倡学他人之长，但更希望立自己之势。

势缘何物，势乃人为。识人、用人、育人、成人，乃人本之真谛。育人、成人，则可造大势。育人、成人之根本在教育，教育之要件在教材，教材之基础在出版。换言之，人本之基础在书本。

凡事均需讲效益，所谓成事，亦即有效。高效可造宏基，无效难以为继，此乃事物发展之规律。基于此，我们崇尚出好书、出人才、出效益！

东北财经大学出版社

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Preface

ABOUT THE AUTHOR

David N. Ricchiute, Deloitte & Touche Professor of Accountancy, University of Notre Dame, has published articles in *The Accounting Review*, the *Journal of Accounting Research*, *Accounting Organizations & Society*, the *Journal of Applied Psychology*, *Organizational Behavior and Human Decision Processes*, *Issues in Accounting Education*, the *Journal of Accountancy*, and *The CPA Journal*, among others. Formerly on the audit staff of Price Waterhouse and a visiting professor at the University of Michigan, Ann Arbor, he has served as Director of Research of the Audit Section of the American Accounting Association (AAA), on the editorial boards of accounting and auditing journals, as an educational and professional consultant to public accounting firms and state audit agencies throughout the country, and on committees of the AICPA and the AAA, including the AAA Audit Section's Task Force on Future Audit, Attestation, and Assurance Services. His teaching awards include Outstanding Teacher of the Year, College of Business Administration, University of Notre Dame.

TO THE INSTRUCTOR

Consistent with the work of the *Accounting Education Change Commission* and the *AICPA Special Committee on Assurance Services*, auditing education is undergoing dramatic changes in at least two ways:

- An awakening that practitioners have a comparative advantage in offering professional services that transcend the *boundaries* of industrial era financial statements, and
- A transition away from first-person delivery by classroom instructors only and toward third-person *discovery* by students both inside and outside the classroom.

Each has influenced the fifth edition. To transcend the *boundaries* of financial statements, *Auditing and Assurance Services* exposes students both to the demand for and the supply of the profession's flagship service, *financial statement audits*, and to the nature of the value-added *assurance* services decision makers demand in the information age. For example, on the supply of auditing, the text explains how auditors leverage off of publicly available data sources to assemble information about a client in the pharmaceutical industry (Chapter 6). On the nature of assurance services, the text illustrates how Consumers Union and Underwriters Laboratories have captured so completely the markets they serve (Chapters 1, 2, 3, and 5), and how Deloitte & Touche LLP and Gradient Technologies have partnered to offer services on Internet security (Chapter 7).

To encourage *discovery* learning, the fifth edition integrates academic research, illustrates with real companies, links class discussion and key assignments to student skills, offers working paper review cases, and proposes research projects that expose students to databases, annual reports, and the professional literature. For example, the text explains what research has revealed about time budget pressure, auditor-client disagreements, and management discretion in earnings manipulation. And a research project asks the question, why wouldn't a client correct the circumstances that give rise to a qualified opinion? Accounting education at the turn of the century demands that educators expose students both to auditing services and to market opportunities in assurance and attestation services. The expanding scope of knowledge in the information age demands that students take responsibility for life-long, discovery learning.

TO THE STUDENT

Auditing and Assurance Services conveys experience about professional services for which most students will have little or no prior understanding—a limitation that places students' comprehension at risk. Prose fiction presents a similar hurdle, but the fiction writer's task is different, in part because much of the writer's craft centers on narrative properties that set a story in motion by accessing plausible scenes from a reader's existing memories. In auditing and assurance services education, however, students typically have no prescribed scenes about practice, since they've had little prior exposure to information systems, evidence, and the like, thereby providing few memories on which the learning experience might draw. But the limitation of no prior understanding also presents an opportunity: the student comes to the material with no biases or expectations that limit the boundaries of understanding, providing the textbook and the instructor with a unique opportunity to shape professional practice into insight and to make seemingly sterile professional tasks come to life. I urge you as a student to exploit the material presented in this text by allowing its chapters to awaken in you a curiosity about auditing and assurance services and about how practitioners come to some of the complex decisions and judgment processes inherent in practice today.

FEATURES

NEW TO THE FIFTH EDITION

Assurance Services

Consistent with the work of the AICPA *Special Committee on Assurance Services* (Elliot Committee), the fifth edition integrates assurance and attestation services throughout the text. For example, the text introduces assurance services offered by *Consumers Union* (Chapters 1, 3, 5), by *Underwriters Laboratories* (Chapters 2 and 5), and by a number of public accounting firms (Chapters 1-4, 7, 10, 12, 15, 16, and 18), and also introduces attestation services offered by public accounting firms, including services by *Coopers and Lybrand LLP* for Wilson Sporting Good's assertions (Chapters 1 and 2), *Price Waterhouse LLP* for

Stanley H. Kaplan's *SAT* improvement assertions (Chapter 1), *KPMG Peat Marwick LLP* on ethics management (Chapter 4), *Ernst & Young LLP* for *CoreStates Financial's* internal control assertions (Chapter 7), and the *Deloitte & Touche LLP/Gradient Technologies* partnered service on Internet security (Chapter 7), among a host of others in Chapter 18.

Real World Illustrations

To ground otherwise abstract issues in reality, the fifth edition offers numerous examples of real world applications in practice. For example, in addition to audit report illustrations (Chapter 3) and legal liability cases (Chapter 5), some of the companies and issues illustrated include Chapter 1: *Ben & Jerry's Home-made Inc.* (management's incentives in an initial public offering), *Alyesko Pipeline Service Co.* (operational auditing), *Harper-Collins* (information services consulting); Chapter 4: *PTL Club* (unethical business practices); Chapter 6: *Merck & Co.* (auditing in the pharmaceutical industry); Chapter 7: *Levi Straus & Co.*, *Lockheed Martin* (Internet technology), *Bell Atlantic* (home page management and global markets); Chapter 10: *Baltimore Orioles*, *Texas Rangers* (location and marketing services consulting); Chapter 11: *Taco Bell*, *Burger King* (area franchise fees); Chapter 12: *Bank of America* (purchase consulting services), *Camp Fire Girls & Boys*, *General Motors* (outsourced information services); Chapter 13: *Westinghouse*, *Columbia Gas System Inc.* (Superfund compliance costs); Chapter 14: *Boeing Company* (postretirement health care disclosures); Chapter 15: *IBM*, *AT&T*, *Battle Mountain Gold Company* (impaired assets); Chapter 18: *Marriott*, *PepsiCo*, *Xerox* (health care provider quality), *Lucent Technologies* (letters for underwriters).

Management Discretion and Earnings Manipulation

In addition to mapping financial statement assertions to audit procedures and explaining the procedures in detail, the fifth edition incorporates key accounting issues into each of the five chapters devoted to substantive tests of account balances (Chapters 11, 13, 14, 15, and 16), and addresses crucial questions about each: For example, what are management's incentives and how can those incentives be impounded into earnings manipulation? and What are the legal liability and ethical implications of the issue? The accounting issues addressed are earnings manipulation and revenue recognition (Chapter 11), accounting for environmental liabilities (Chapter 13), accounting for postretirement health care obligations (Chapter 14), accounting for impaired assets (Chapter 15), and accounting for financial instruments (Chapter 16).

Integration of Computer Information Systems

Computers pervade contemporary practice, largely because most all audit and assurance service clients are computerized. As a result, rather than address computers as a free-standing chapter, the fifth edition:

- Integrates computer information systems and internal control in Chapter 7, introducing systems such as microcomputers, local area networks, telecommunications, end user computing, service bureaus, and Internet technology; and computer assisted audit techniques such as base case system evaluation, test data, integrated test facilities, parallel simulation, audit hooks, audit modules, and transaction tagging.

- Introduces automated working papers, database management systems software, spreadsheet software, and text retrieval software in Chapter 6.
- Illustrates computer-assisted audit techniques in Chapters 10, 11, 12, 13, and 15.

Integration of Academic Research

Consistent with recommendations of the *Accounting Education Change Commission* (AECC), the fifth edition incorporates the results of relevant academic research. For example: Chapter 2: *independence, audit risk, materiality*; Chapter 3: *auditor changes, predicting audit qualifications, financial distress, market reaction to bankruptcy filings*; Chapter 7: *heuristics and biases, audit committee effectiveness, auditor-client disagreements, communication between predecessor and successor auditors, time-budget pressure, analytical procedures, evidence planning, the review process*; Chapter 11: *management incentives, share prices and management changes, predicting takeover targets, qualified opinions and share prices*; Chapter 15: *discretionary write-downs*; Chapter 14: *the choice of alternatives affecting health care obligations*; Chapter 18: *the voluntary purchase of quarterly reviews*.

Working Paper Review

The center of gravity in an auditor's early-career employment evaluations rests squarely on his or her performance in preparing audit working papers. To help equip students to *prepare* working papers, the fifth edition incorporates working paper review cases. The working papers are realistic, replicate papers and issues illustrated in the text, and are designed to lend insight into what reviewers are likely to look for. The cases appear in Chapters 6, 11, 13, 15, and 16, and include common early-career audit areas, such as *accounts receivable front summary schedules, receivables confirmations, intercompany and interbank transfers, bank reconciliations, accounts payable, accrued property taxes, physical inventory observations, fixed assets and accumulated depreciation, and marketable securities*.

Research Projects

The fifth edition includes over thirty end-of-chapter research projects linked to the professional literature, publicly available data sources, and annual reports of the student's/instructor's choice. The projects are intended as out-of-class, discovery-learning exercises that do not necessarily lend themselves to unambiguous solutions. For example, the research projects address issues such as *becoming familiar with the profession's controversies, self regulation and the Public Oversight Board, reporting on financial distress, unethical business practices, litigation against public accounting firms, tort reform, using the Internet to understand a client's industry, managing change in a selected industry, management discretion in earnings manipulation, internal control and transaction cycles in a selected industry, annual reports and the audit process, assurance services and retail electronic commerce, and internal auditing in selected industries*.

RETAINED (AND UPDATED) FROM THE FOURTH EDITION

Risk and Evidence

The text, particularly Chapter 2 and Parts II (Technology) and III (Method), explicitly incorporates the audit risk model from SAS No. 47, "Audit Risk and

Materiality in Conducting an Audit," and the financial statement assertions from *SAS No. 31*, "Evidential Matter." The fifth edition devotes seven chapters to tests of controls and to substantive tests within four major transaction cycles: the revenue/receipt cycle (Chapters 10 and 11), the expenditure/disbursement cycle (Chapters 12, 13, and 14), the conversion cycle (Chapter 15), and the financing cycle (Chapter 16).

Professional Literature and Articles

The text provides extensive discussion of, and references to, the professional literature, including the Auditing Standards Board's *Statements on Auditing Standards* and *Statements on Standards for Attestation Services*; contemporary articles from magazines, journals, and newspapers such as the *Journal of Accountancy*, *Auditing: A Journal of Practice & Theory*, *The Accounting Review*, *The Wall Street Journal*, *Accounting Today*, *Public Accounting Report* and *Business Week*, and important reports and monographs such as *Internal Control: Integrated Framework* (the COSO Report), and Mautz and Sharaf's *The Philosophy of Auditing*.

Edit/ Update

All of the chapters have been edited for clarity of exposition (every sentence, every word) and updated for, among other things:

- The work of the AICPA *Special Committee on Assurance Services* (Chapters 1, 2, and 18);
- The report of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control: Integrated Framework* (Chapter 7);
- The Osbourne (*Bily v. Arthur Young & Co.*), Security Pacific (*Security Pacific v. Peat Marwick*) and Cherry (*Cherry v. Joseph S. Herbert & Co.*) cases, which together reaffirm both the privity concept established in *Ultramares* and the linkage test in *Credit Alliance* (Chapter 5); and
- Recent *Statements on Auditing Standards* and *Statements on Standards for Attestation Engagements* on fraud, internal control, internal auditing, letters for underwriters, using specialists, compliance auditing, and compliance attestation, among others.

Sampling (optional)

Depending on the objectives of a course, instructors may choose to cover Chapters 8 and 9 (which introduce attributes estimation, sequential sampling, discovery sampling, probability proportional to size, difference and ratio estimation, mean-per-unit estimation, and nonstatistical sampling) and/or may selectively cover sections in Chapters 10 through 13, which illustrate audit sampling applications in tests of controls over billing, accounts receivable, cash disbursements, and accounts payable.

END-OF-CHAPTER MATERIALS

The end of each chapter includes:

- Key terms (referenced to the chapter page on which the term is introduced and to a comprehensive Glossary at the end of the book)

- Extensive references to
 - Authoritative literature (*SASs*, *SSAEs*)
 - Professional reports
 - Articles and books
 - Review questions
 - Multiple choice questions
 - Problems and discussion cases
 - Research projects

A comprehensive case—“*YOU’RE AHEADSM” A Long Distance Cost Savings Initiative*—a review of the first seven chapters, appears at the end of Chapter 7.

SUPPLEMENTAL MATERIALS

Several teaching and learning aids are new to this edition or substantially revised:

FOR THE INSTRUCTOR (COMPUTER AND HARD COPY)

- **Auditing and Assurance Services: A Course Guide** A *complete* guide for a course in auditing and assurance services that includes:
 - Day-by-day *teaching plans* and accompanying *teaching notes* tied to six key skills for students: *oral communication, written communication, group processing, critical thinking, research, and computers.*
 - Day-by-day *PowerPoint presentations* and *class handouts.*
 - Course *syllabus.*
 - Group *cases.*
 - Quick *cases.*
 - Description of key *assignments.*
 - Annotated *bibliography.*
- **Instructor’s Resource Manual**
 - Test bank
 - Transparency masters
 - Solutions to all review questions, multiple choice questions, and problems and discussion cases

FOR THE STUDENT

- **Study Guide** A student supplement that includes note-taking templates for Instructors’ Power Point presentations.
- **Integrated Audit Case** A case consisting of seven integrated units relating to new client acceptance, engagement planning, internal control, computer auditing, tests of controls, substantive tests, and completing the audit. The units are designed for assignment throughout the course and emphasize the role of professional judgment in each phase of an audit. The case provides opportunities for students to develop writing skills and to practice working paper preparation.

ORGANIZATION

The fifth edition of *Auditing and Assurance Services* is organized in four parts.

PART 1: PROFESSIONAL RESPONSIBILITIES

Chapters 1 through 5 introduce assurance, attestation, and audit services; professional standards; reports; and practitioners' responsibilities for ethical behavior and legal liability. Chapter 1, an overview of the public accounting profession, distinguishes among consulting, assurance, attestation, and audit services; addresses the demand for financial statement audits; raises the suspicion that financial statement audits may be obsolete; and introduces operational audits and compliance audits. Chapter 2, "Professional Standards," introduces the need for assurance standards, the AICPA's *generally accepted auditing standards* (GAAS) and *attestation standards*, the role of materiality and risk, and the standards of quality control and quality (peer) review in monitoring the performance of public accounting firms. Chapter 3, "Reports," introduces reports on assurance and attestation services, the standard audit report, the required circumstances and wording for modifications to a standard report, and reporting requirements for comparative financial statements and for financial statements prepared for use in a foreign country. Chapter 4, "Professional Ethics," focuses on the principles and rules of conduct underlying the AICPA's *Code of Professional Conduct*, and the formal mechanisms used to enforce the AICPA and state society codes of conduct. Chapter 5, "Legal Liability," identifies the major issues central to the legal liability cases involving independent auditors; describes an auditor's potential liability under common law, the *Securities Act of 1933*, and the *Securities Exchange Act of 1934*; and explains an auditor's responsibility to detect and report fraud and illegal acts.

PART 2: TECHNOLOGY

Chapters 6 and 7 introduce the evidence-gathering process and the consideration of internal control in a financial statement audit. Chapter 6, "Evidence," addresses evidence and its relationship to financial statement assertions and procedures; the cognitive biases that can interfere with interpreting evidence; the nature of tests of controls, substantive tests, and analytical procedures; the major activities in the audit process (including the decision to accept an engagement, planning, and interim and year-end audit work); and the purpose and content of working papers. Chapter 7, "Internal Control and Computer Information Systems," discusses information systems, the components of internal control (the control environment, risk assessment, control activities, information and communication, and monitoring), how an auditor considers internal controls when planning and performing a financial statement audit, and computer applications in auditing that are then illustrated in Chapters 10, 11, 12, 13, and 15.

Chapters 8 and 9, optional chapters, address the role of sampling in audit tests. Chapter 8, "Sampling in Tests of Controls," introduces and illustrates three sampling for attributes plans—attribute estimation, sequential (stop-or-go) sampling, and discovery sampling—and a nonstatistical sampling plan. Chapter 9, "Sampling in Substantive Tests," addresses four statistical sampling plans for variables—difference estimation, ratio estimation, mean-per-unit

estimation, and probability-proportional-to-size (PPS) sampling—and a nonstatistical sampling plan.

PART 3: METHOD

Chapters 10 through 17 introduce, discuss, and illustrate the detailed tests of controls and substantive tests used in contemporary audit practice, and also identify opportunities for assurance and attestation services. Chapters 10 and 11 address the revenue/receipt cycle, sales and cash receipts transactions, accounts receivable, cash balances, and management discretion and earnings manipulation in revenue recognition. Chapters 12, 13, and 14 turn attention to the expenditure/disbursement cycle, including purchases and cash disbursement transactions, accounts payable, prepaid expenses, accrued liabilities, personnel and payroll, and management discretion in accounting for environmental liabilities and for postretirement health care benefits. Chapters 15 and 16 introduce tests of controls and substantive tests applicable to inventory, fixed assets, investments, debt, equity, and management discretion in accounting for impaired assets and for financial instruments.

Chapter 17 completes the discussion of procedures, addressing a practitioner's considerable responsibilities when completing an engagement, for example, auditing accounting estimates, the review for subsequent events, communicating with the audit committee, inquiries of a client's legal counsel, management representation letters, and forming an opinion on financial statements.

PART 4: ATTESTATION ENGAGEMENTS, COMPLIANCE AND INTERNAL AUDITING

Chapters 18 and 19 focus on engagements other than financial statement audits and two additional, and highly prominent, types of auditing in the United States. Chapter 18, "Assurance and Attestation Services," discusses examples of assurance services for the 21st century and a variety of contemporary attestation services, including reviews of financial statements, interim financial information, internal control, letters for underwriters, personal financial statements, financial forecasts and projections, and the application of accounting principles. Chapter 19, "Compliance Auditing and Internal Auditing," introduces the governmental auditor's compliance audit under generally accepted government auditing standards, the GAO's "Yellow Book," and the *Single Audit Act Amendment of 1996*, and discusses the internal auditor's operational audit.

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University of Notre Dame

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