

英文版

财务与会计系列

(第六版)

审计概念与方法

现行理论与实务指南

AUDITING CONCEPTS AND METHODS

A GUIDE TO CURRENT THEORY AND PRACTICE

(SIXTH EDITION)

DOUGLAS R. CARMICHAEL
JOHN J. WILLINGHAM
CAROL A. SCHALLER



世界财经与管理教材大系



东北财经大学出版社



McGraw-Hill 出版公司

世界财经与管理教材大系
财务与会计系列·英文版

审计概念与方法 现行理论与实务指南

(第六版)

Auditing Concepts and Methods
A Guide to Current Theory and Practice
Sixth Edition

道格拉斯·R. 卡迈克尔
约翰·J. 威林翰
卡罗尔·A. 沙勒

Douglas R. Carmichael
John J. Willingham
Carol A. Schaller

东北财经大学出版社
McGraw-Hill 出版公司

图书在版编目 (CIP) 数据

审计概念与方法: 现行理论与实务指南: 英文/(美) 卡迈克尔 (Carmichael, D. R.) 等著. —大连: 东北财经大学出版社, 1998.8

(世界财经与管理教材大系·财务与会计系列)

ISBN 7 - 81044 - 474 - 3

I. 审… II. 卡… III. 审计—方法—英文 IV. F239.1

中国版本图书馆 CIP 数据核字 (98) 第 19561 号

辽宁省版权局著作权合同登记号: 图字 06 - 1998 - 140 号

Douglas R. Carmichael, John J. Willingham, Carol A. Schaller: Auditing Concepts and Methods: A Guide to Current Theory and Practice, Sixth Edition

Copyright © 1996 by The McGraw-Hill Companies, Inc.

This edition is published jointly by McGraw-Hill Book Co. and Dongbei University of Finance & Economics Press, for sale in P. R. China only.

All Rights Reserved.

本书英文影印版由 McGraw-Hill 出版公司和东北财经大学出版社合作出版, 仅限中国境内销售, 未经出版者书面许可, 不得以任何方式抄袭、复制或节录本书的任何部分。

版权所有, 侵权必究。

东北财经大学出版社
McGraw-Hill 出版公司 合作出版

东北财经大学出版社发行

(大连市黑石礁尖山街 217 号 邮政编码 116025)

北京万国电脑图文有限公司制版 东北财经大学印刷厂印刷

开本: 787×1092 毫米 1/16 字数: 1 013 千字 印张: 42.75 插页: 2

1998 年 8 月第 1 版 1998 年 8 月第 1 次印刷

策划编辑: 方红星 封面设计: 张智波

定价: 66.00 元

ISBN 7 - 81044 - 474 - 3/F·1157

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。育人才、成能人，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

1998年8月

About the Authors

Douglas R. Carmichael, Ph.D., CPA, CFE, is an internationally recognized authority on auditing. He has a Ph.D. in Accountancy from the University of Illinois and has been a CPA for over 30 years and, more recently, has become a Certified Fraud Examiner. He spent over 13 years at the American Institute of Certified Public Accountants developing auditing standards and was Vice President, Auditing, in 1982 when he left the AICPA and joined Baruch College. Dr. Carmichael is the Wollman Distinguished Professor of Accountancy and teaches auditing at the undergraduate, master's, and doctoral levels. He is also a consultant to CPA firms on audit policy matters and has served as an expert witness on accounting and auditing matters in litigation proceedings. He has written 16 books, numerous articles, monographs, and continuing professional education courses, and is the accounting and auditing editor for the *CPA Journal*, a national professional periodical.

John J. Willingham, Ph.D., CPA, is a professor at the University of Texas at Austin. He was previously a partner in the Executive Office of KPMG Peat Marwick in charge of audit research and the firm's Research Opportunities in Auditing program. After a career as a professor on the faculties of Penn State University, the University of Texas and the University of Houston, he joined KPMG Peat Marwick in 1978. His committee responsibilities have included membership on the AICPA Auditing Standards Board (1976–1978). Dr. Willingham has written numerous articles that have appeared in accounting journals in three countries and is the coauthor of six books.

Carol A. Schaller, CPA, is an independent consultant in auditing and forensic accounting. She was previously the Director of the Computer Security group for Ernst & Whinney's New York region. Before joining Ernst & Whinney, she spent six years on the staff of the American Institute of Certified Public Accountants. She has written numerous articles and has authored or coauthored several books, including *Auditing and EDP*, published by the AICPA.

We wish to dedicate this book to Thelma Carmichael and Jennie Schaller, our mothers.

Both are petite, wiry women who have recently suffered some medical problems.

*Each has more courage, strength, and determination than
an entire battalion of marines, and inspires all who meet her.*

PREFACE

The two underlying premises of the sixth edition of *Auditing Concepts and Methods* are the same as the preceding editions:

- An understanding of concepts makes the methods of audit practice more meaningful and provides a foundation for continuing study.
- An explanation of how concepts are implemented in auditing practices, policies, and procedures is essential to achieve an understanding of auditing concepts.

The sixth edition is an up-to-date and practical guide to auditing theory and practice. This edition has been expanded to reflect the changing environment of auditing. There is a new chapter on legal liability as well as a separate chapter on professional ethics. In addition, other changes have been integrated into each chapter. This edition incorporates all the new Statements on Auditing Standards (SASs) issued up to and including SAS No. 73. The new SASs have been fully integrated into all relevant chapters of the book. A risk assessment emphasis and current terminology are woven into the discussion rather than grafted onto existing material. New discussion questions and problems have been added to the chapters.

This book is designed to provide an introduction to auditing for accounting students who do not have significant auditing experience. It may be used for a one-semester or one-quarter course at the undergraduate or graduate level. Coverage of topics is sufficient to permit use of this book without supplemental materials. However, it may also be used effectively with the AICPA *Codification of Auditing Standards and Procedures* and a large variety of supplemental materials. Use of supplemental materials is explained in detail in the companion Instructor's Manual.

SIGNIFICANT FEATURES OF THIS EDITION

This edition has several significant features related to both content and format.

- *Learning Objectives.* Each chapter begins by identifying several important matters that students should understand after studying the chapter.

- *Relevant sections of SASs.* Each chapter lists the relevant AU sections of the Statements on Auditing Standards for the chapter or other relevant authoritative literature, such as the AT sections of Statements on Standards for Attestation Engagements. The lists are useful as optional supplemental reading assignments.
- *Objective questions.* Each chapter includes true/false questions prepared specifically for this book and multiple-choice questions from the Uniform CPA Examination that provide a comprehensive review of important points and topics in the chapter.
- *Discussion questions.* Each chapter includes discussion questions classified by major topic in the chapter. Some questions are from the Uniform CPA Examination, but many were prepared specifically for this edition of the book, particularly those related to materiality, audit risk, audit sampling, legal liability and the audit environment, and audit efficiency.
- *New chapters on ethics and legal liability.* New chapters have been prepared to describe the auditor's ethical and legal responsibilities and liability to others. However, the effects of the changing audit environment are not limited to the chapters on ethics and on legal liability; they permeate the entire book.
- *Audit sampling chapter.* There is a separate chapter on audit sampling that uses the terms and concepts of SAS No. 39, as modified by SAS No. 55, as a base for explaining both *statistical* and *nonstatistical audit sampling*. The emphasis is on the rationale that underlies all audit sampling. An appendix on estimation sampling using a hypothesis testing approach has been added in this edition.
- *Computers and auditing.* Consideration of the computer is an integral part of an audit. Every chapter has included discussion of computer-related topics and examples. There is a separate chapter on the effect of computers on the audit that highlights computer-related effects on the internal control structure and computer-assisted audit techniques. This edition includes such topics as workpaper considerations when microcomputers are used as an audit tool, use of expert systems, electronic data interchange, and the effects of LANs and other network-based computer systems. An explanation of basic computer processing concepts is included as an appendix.
- *Internal control structure chapter.* This edition explains the five components of the internal control structure as defined in the COSO Report (Report of the Committee of Sponsoring Organizations of the Treadway Commission) and integrated into the SASs.
- *Planning tests of details chapter.* There is a separate chapter that explains the concepts of *audit risk* and *materiality* and illustrates how these concepts are actually used to make decisions on the nature, timing, and extent of tests of details. This chapter also explains *audit efficiency* as a concept of auditing theory and illustrates how efficiency considerations influence the direction of testing and coordination of tests of transaction classes and direct tests of balances.
- *Emphasis on objectives.* The chapters on internal control structure, tests of transactions, and tests of balances emphasize objectives. These chapters explain how the auditor develops *specific control objectives* and *specific audit objectives* and how the objectives are used in the planning and performance of audit tests.
- *Background information.* This edition briefly reviews topics that are necessary to understand auditing but that should ideally be covered adequately in other courses in

accounting or business. For example, basic concepts of computer processing and fundamentals of accounting systems (including source documents and flowcharting) are explained sufficiently to provide a background for understanding related auditing considerations. These topics are either being squeezed out of the curriculum or are compartmentalized by students to the extent that an understanding of them cannot be assumed in the first auditing course.

- *Coverage of auditing income taxes.* The chapter on direct tests of balances includes an explanation of the specific audit objectives and common audit procedures for examining income taxes in a corporation's financial statements. Given the importance of income taxes to a business and the materiality of the provision for income taxes to a corporation's income statement, it is difficult to justify failing to provide students with at least an introductory explanation of the auditing issues and normal audit approach for income taxes.
- *Comprehensive coverage of pronouncements.* This book covers specifically all significant Statements on Auditing Standards through SAS No. 73, as well as changes in related areas and all fundamental aspects of Statements on Accounting and Review Services through SSARS No. 7 and the Statements on Standards for Attestation Engagements through SSAE No. 3. Today, more than ever before, authoritative pronouncements are, for all practical purposes, the equivalent of statutory law for the practice of auditing. This book emphasizes the "how and why" of pronouncements rather than reproducing or paraphrasing long passages from the pronouncements.
- *Operational auditing chapter.* There is a separate chapter on operational auditing. This chapter covers both the theoretical base and the practice methods of operational auditing. It is not merely an explanation of internal auditing and governmental auditing with operational auditing tacked on. An explanation is given of both the framework of this type of auditing and the major steps in the conduct of an operational audit engagement.

ORGANIZATION

This edition is not divided into formal parts. Logically, however, the book could be viewed as consisting of the following parts:

Part 1: Chapters 1–4 An introduction to auditing as a subject of study, the environment of auditing, and the basic building blocks for understanding the next parts on the planning and performance of an audit of financial statements.

Part 2: Chapters 5–7 An explanation of audit planning. These chapters cover the planning phases of the audit, including general planning, understanding the internal control structure including the accounting system and related controls, and planning detailed preliminary audit programs. Materiality and audit risk, including assessment of control risk, are covered as an integral part of audit planning.

Part 3: Chapters 8 and 9 An explanation of the specialized planning considerations for use with audit sampling and the effect of the computer. These subjects are an integral part of audit planning, but their complexity warrants separate coverage.

Part 4: Chapters 10–12 An explanation of the performance of auditing procedures in the phases of the audit concerned with tests of transaction classes, direct tests of balances, and the general procedures and related matters dealt with near the completion of the audit.

Part 5: Chapter 13 An explanation of the modifications of the standard audit report that may be necessary in specific circumstances. The standard audit report and the various types of reports other than an unqualified opinion are introduced in Chapter 1. Chapter 13 explains these types of reports in more detail and discusses how the auditor decides the type of report that is appropriate.

Part 6: Chapters 14 and 15 A review of attestation standards; compilation or review of the financial statements of a nonpublic company; specialized reporting circumstances, such as special reports and forecasts; compliance attestation; and operational audit engagements as conducted by independent CPAs, governmental auditors, and operational auditors.

Organizational Variations The most common variations in arrangement are to cover all aspects of the standard audit report and modifications of it at the beginning of the course (i.e., assign Chapter 13 immediately after Chapter 1) or to delay coverage of self-regulation (ethics, peer review, etc.) and external regulation (SEC, legal liability, etc.) to the end of the course (i.e., assign Chapters 2 and 3 as the last or next to last topics).

Another variation is to eliminate the topics of sampling and computers (Chapters 8 and 9) from the first course because they are covered in a second course on auditing. We discourage this variation. Chapters 8 and 9 introduce sampling and computers from the perspective of a general auditor. There is still a great deal that can be presented on these topics in an advanced course without serious duplication. Also, the knowledge in Chapters 8 and 9 is an integral part of current auditing practice.

Chief Organizational Feature One organizational feature of this edition remains unchanged from the first edition published in 1971. The central part of the book is organized around the logical phases and sequence of an audit of financial statements. To our knowledge, auditing textbooks before 1971 were all organized either by balance sheet account order or transaction cycles.

After 1971, several auditing textbooks adopted the general organizational approach of *Auditing Concepts and Methods* and many other textbooks adopted the underlying premise of emphasizing concepts and theory rather than merely describing existing auditing practices and procedures.

In recent years, the trend started by our first edition in 1971 has accelerated far beyond the modest goals we envisioned approximately 25 years ago for a better integration of auditing theory and practice.

SUPPLEMENTS

Instructor's Resource Manual 0-07-011059-X

This resource manual is an Instructor's Manual, Solutions Manual, and Test Bank all in one. It begins with a section that provides suggestions on course presentation and coverage, so that instructors can design a course that is tailored to their individual needs. It then presents lecture suggestions for each chapter, solutions to end-of-chapter material in the text; a Test Bank with solutions, and transparency masters, some of which include figures from the text. The Test Bank consists of over 400 multiple-choice questions; many of which have been modified from the last edition.

Computerized Instructor's Manual

A computerized version of the above-described Instructor's Resource Manual will be made available to instructors on an on-demand basis.

MICRO, INC.: A Computerized Audit Practice Case, Second Edition

3.5" IBM Disk: 0-07-841989-1

5.25" IBM Disk: 0-07-841985-9

... by Joyce C. Lambert (University of New Orleans), S. J. Lambert III (University of New Orleans), and James G. Hruska (Nebraska Wesleyan University). This computerized practice case is to be used as a supplement for Auditing courses. It is a highly interactive simulation, placing students in the position of auditor. Upon completion of this practice case, students will gain experience with the major audit systems and understand the role of microcomputers in the audit process. This package requires access to a commercial spreadsheet package, such as Lotus, Excel, or Quattro Pro. **Available Instructor's Manual: 0-07-842823-8**

SCAD III: A Simulated Case for Audit Decisions 3.5" IBM Disk: 0-07-840385-5

... by William L. Felix, Jr. (University of Arizona), Robert J. May (University of Texas), Marcia S. Niles (University of Idaho), Jon M. Andrus (University of Arizona), and Janet D. Gillespie (University of Texas). This case combines a realistic scenario that describes a wholesale appliance company's accounting system and a comprehensive set of computer generated accounting data. **Available Instructor's Manual: 0-07-840391-X**

ACKNOWLEDGMENTS

We would like to thank the many reviewers who have enriched our book with their comments and suggestions: J. E. Boritz, University of Waterloo; Eric Carlsen, Kean College;

Nahnhee Choi, Long Island University—C. W. Post; William Donnelly, San Jose State University; Austin Emeagwai, LeMoyne-Owen College; Leon J. Hanouille, Syracuse University; Thomas J. Hogan, University of Massachusetts; William E. Huntley, Monmouth College; Malcolm H. Lathan, Jr., University of Virginia; Heidi H. Meier, Cleveland State University; Philip H. Siegel, University of Houston—Downtown; and Ira Solomon, University of Illinois.

We acknowledge the debt to the American Institute of Certified Public Accountants owed by any authors of an auditing textbook for permission to quote extensively from authoritative pronouncements and other publications.

We would also like to thank the Canadian Institute of Chartered Accountants for allowing us to use problems from Canadian CA examinations and the Institute of Management Accounting of the National Association of Accountants for use of CMA problems.

Finally, we wish to thank the staff at McGraw-Hill: Alan Sachs, Linda Richmond, Terri Varveris, Paula Keller, Chuck Carson, and Amy Becker.

Douglas R. Carmichael
John J. Willingham
Carol A. Schaller

CONTENTS

Preface	xxi
CHAPTER 1 The Audit Function—An Overview	1
HISTORY OF THE AUDIT FUNCTION	2
Independent Audits Prior to 1900	2
Twentieth-Century Developments	3
AUDITING DEFINED	4
Financial Auditing	4
Other Types of Audits	5
The Need for Audits of Financial Statements	5
THE AUDIT REPORT	6
The Standard Report	6
Generally Accepted Accounting Principles	10
Report Title, Address, Signature, and Date	11
Departures from the Standard Report	12
Generally Accepted Auditing Standards	13
THE INDEPENDENT AUDITOR	16
Types of CPA Firms	16
Internal Structure of a CPA Firm	18
OTHER TYPES OF AUDITORS AND AUDITS	20
Compliance Audits	21

Internal Audits	25
Operational Audits	25
CHAPTER 1 ASSIGNMENTS	26
CHAPTER 2 Professional Ethics and the Auditing Environment	38
PROFESSIONAL STATUS—FRAMEWORK OF THE ENVIRONMENT	39
Systematic Theory	40
Professional Authority	40
Community Sanction	40
Regulative Code	41
A Culture	41
NATURE OF THE ENVIRONMENT	41
SELF-REGULATION BY THE PUBLIC ACCOUNTING PROFESSION	42
The Organizations Involved	43
The Code of Professional Conduct	45
Quality Control within CPA Firms	54
Mandatory Continuing Professional Education	55
Monitoring and Enforcement	55
EXTERNAL REGULATION	56
The Securities and Exchange Commission	57
Legal Liability	59
CHAPTER 2 ASSIGNMENTS	59
CHAPTER 3 Legal Liability	69
THE LEGAL ENVIRONMENT	70
CIVIL LIABILITY	71
Liability to Clients	72
Liability to Third Parties—Common Law	73
Liability to Third Parties—Statutory Law	78
CRIMINAL LIABILITY	81
NOTED LEGAL CASES	82
Bar Chris	82
Yale Express	83

Continental Vending	83
U.S. Financial	83
National Student Marketing	84
1136 Tenants Corporation	84
Equity Funding	84
Fund of Funds	85
Credit Alliance	86
Mann Judd Landau	86
ESM	87
Bily	87
Crazy Eddie	88
SELF-PROTECTION AGAINST LIABILITY	88
TORT REFORM	89
FORENSIC ACCOUNTING	89
CHAPTER 3 ASSIGNMENTS	90
CHAPTER 4 The Elements of Auditing	97
EVIDENCE, ASSERTIONS, AND PROCEDURES	99
Auditing Procedures	99
Evidential Matter and Its Relationship to Procedures	101
Financial Statement Assertions and Audit Objectives	103
OVERVIEW OF THE AUDIT RISK MODEL	106
TYPES OF AUDIT TESTS	107
Classification by Purpose of Test	107
Types of Tests of Controls	107
Types of Substantive Tests	108
OVERVIEW OF AN AUDIT OF FINANCIAL STATEMENTS	109
WORK PAPERS	110
The Function of Work Papers	110
The Contents and Requirements of Work Papers	111
Legal Aspects of Work Papers	113
Mechanics of Work Paper Preparation	114
Illustrative Audit Work Papers	115
CHAPTER 4 ASSIGNMENTS	120

CHAPTER 5	Understanding the Client and General Planning	128
	CLIENT ACCEPTANCE AND CONTINUANCE	129
	Quality Control Policies and Procedures	130
	Communication with a Predecessor Auditor	130
	Engagement Letters	131
	Conferences with Client Personnel	131
	KNOWLEDGE OF THE BUSINESS	133
	Organization Structure	133
	Operations of Legal Structure	134
	Industry and Economic Conditions	136
	GENERAL PLANNING AND THE PRELIMINARY AUDIT PLAN	137
	General Planning Decisions to Be Made	137
	Knowledge Obtained to Prepare Preliminary Audit Plan	137
	Procedures in Preparing Preliminary Audit Plan	138
	AUDIT DECISIONS IN PRELIMINARY PLANNING	138
	Understanding the Internal Control Structure and the Control Risk Assessment	138
	Materiality and Audit Risk	139
	Special Areas of Audit Risk	143
	Overall Timing of Engagement	149
	Involvement of Specialists and Others	152
	Assignment and Scheduling of Audit Staff	154
	ANALYTICAL PROCEDURES	155
	Use of Analytical Procedures	155
	Analytical Procedures in Planning the Audit	156
	Analytical Procedures as Substantive Tests	157
	Analytical Procedures in the Overall Review	158
	Data Used in Analytical Procedures	159
	CHAPTER 5 ASSIGNMENTS	159
CHAPTER 6	Understanding the Internal Control Structure and Assessing Control Risk	176
	AUDIT STRATEGY AND THE INTERNAL CONTROL STRUCTURE	177
	Audit Logic and the Internal Control Structure	178

Internal Control Structure Concepts	179
Internal Control Structure Objectives	180
Detailed Objectives of Internal Control	181
COMPONENTS OF THE INTERNAL CONTROL STRUCTURE	182
Control Environment	182
Monitoring	184
Risk Assessment	186
Information and Communication	186
Control Activities	192
THE AUDITOR'S CONSIDERATION OF THE INTERNAL CONTROL STRUCTURE IN A FINANCIAL STATEMENT AUDIT	198
An Overview of the Auditor's Consideration	198
Organizing the Auditor's Consideration	203
Understanding the Internal Control Structure	205
Documenting the Understanding	207
Assessing Control Risk	211
Tests of Controls	214
Documentation of the Assessment of Control Risk	217
Effect on Design of Substantive Tests	217
THE FOREIGN CORRUPT PRACTICES ACT	218
CHAPTER 6 ASSIGNMENTS	219
CHAPTER 7 Planning Tests of Details of Transactions and Balances	231
DESIGNING AUDIT PROGRAMS— AN INTRODUCTION	232
Decisions to Be Made	233
Considerations in Deciding on Nature, Timing, and Extent	235
Efficiency and Effectiveness of Audit Tests	235
DIRECT TESTS OF BALANCES	236
Nature of Financial Statement Component and Audit Objectives	237
Materiality at the Account Balance Level	239
Audit Risk at the Account Balance Level	244
Efficiency of Audit Tests	251