

高等院校双语教学适用教材·会计

Auditing

Assurance & Risk (3e)

W.Robert Knechel Steven E.Salterio Brian Ballou

审计

增信服务与风险

(第3版)

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Auditing: Assurance & Risk

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出版者的话

当前,在教育部的大力倡导下,财经和管理类专业的双语教学在我国各大高校已经逐步开展起来。一些双语教学开展较早的院校积累了丰富的经验,同时也发现了教学过程中存在的一些问题,尤其对教材提出了更高的要求;一些尚未进入这一领域的院校,也在不断探索适于自身的教学方式和方法以及适用的教材,以期时机成熟时加入双语教学的行列。总之,对各类院校而言,能否找到“适用”的教材都成为双语教学成功与否的关键因素之一。

然而,国外原版教材为国外教学量身定做的一些特点,如普遍篇幅较大、侧重于描述性讲解、辅助材料(如习题、案例、延伸阅读材料等)繁杂,尤其是许多内容针对性太强,与所在国的法律结构和经济、文化背景结合过于紧密等,却显然不适于国内教学采用,并成为制约国内双语教学开展的重要原因。因此,对国外原版教材进行本土化的精简改编,使之变成更加“适用”的双语教材,已然迫在眉睫。

东北财经大学出版社作为国内较早涉足引进版教材的一家专业出版社,秉承自己一贯服务于财经教学的宗旨,总结自身多年的出版经验,同麦格劳—希尔教育出版公司、培生教育出版集团和圣智出版集团等国外著名出版公司通力合作,在国内再次领先推出了会计、工商管理、经济学等专业的“高等院校双语教学适用教材”。这套丛书的出版经过了长时间的酝酿和筛选,编选人员本着“品质优先、首推名作”的选题原则,既考虑了目前我国财经教育的现状,也考虑了我国财经高等教育所具有的学科特点和需求指向,在教材的遴选、改编和出版上突出了以下一些特点:

- 优选权威的最新版本。入选改编的教材是在国际上多次再版的经典之作的最新版本,其中有些教材的以前版本已在国内部分高校中进行了试用,获得了一致的好评。
- 改编后的教材在保持英文原版教材特色的基础上,力求内容精要,逻辑严密,适合中国的双语教学。选择的改编人员既熟悉原版教材内容,又具有本书或本门课程双语教学的经验。
- 改编后的教材配有丰富的辅助教学支持资源,教师可在网上免费获取。
- 改编后的教材篇幅合理,符合国内教学的课时要求,价格相对较低。

本套教材是在双语教学教材出版方面的一次新的尝试。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,也期待广大读者提出宝贵的意见和建议。

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,书中的内容仍可能有不妥之处,望读者在阅读中注意比较和甄别。

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Preface

AN AUDITING TEXTBOOK FOR A CHANGING WORLD

The period 2000 through 2006 has been a very turbulent time for the auditing profession, a period that witnessed numerous scandals and their aftermath (Enron, WorldCom, Parmalat), strident calls for changes in the way that auditors practice their profession, and regulatory initiatives that significantly change the way the profession is governed. Long-held attitudes and customary practices have been challenged and found to be deficient by the media, the investing public, and those charged with regulating financial reporting and auditing. Issues of auditor independence, the role of corporate governance, the responsibilities of management, the appropriateness of consulting services, and the overall professional obligations of auditors have all been discussed and debated by a broad array of interested groups and individuals. The theme linking these debates has often been “what is wrong with the auditing profession?” and its close relative, “what can be done to improve the auditing profession?” As a result, this period has probably resulted in more substantive changes to the auditing profession than any other period in modern business history.

The past decade has also seen an increase in the complexity of auditing as business organizations have had to adapt to an evolving international, real-time, technology-dependent economy. Increasingly, organizations form strategic alliances and expand operations to meet the needs of an international, interconnected marketplace. The rapid growth in India and Asia; continued development of the European Union; increased availability of information; reduced barriers to communication; and increased costs and scrutiny of financial reporting in the United States are examples of forces that have increased competition and increased the costs organizations incur to react to changes or correct problems encountered in their business. As a result, organizations are more concerned about managing risk, and stakeholders demand timely information about performance in a broad range of areas. Auditors must keep these issues in mind when evaluating whether financial statements are fairly stated.

OUR PHILOSOPHY: AUDITING AS A JUDGMENT PROCESS

Given the ebb and flow of the auditing profession in the period leading up to 2006, the challenge of a book on auditing is to adequately nurture the long-term effect of these changes while maintaining the best traditions of auditing. The profession

is at the cusp of a new world of auditing, and auditing educators face an environment that is no less challenging. *In writing the third edition of this book, the author team has strived to maintain the balance between the new world of auditing increasingly complex organizations and the proven methods of tradition.* To facilitate this balancing act, we have chosen to focus on *auditing as a judgment process* rather than as a process driven by regulations. This philosophy permeates the book and influences the way various topics are presented and discussed. We believe this approach allows instructors a great deal of flexibility in using the book in undergraduate or graduate auditing courses.

AUDITING AND REGULATION

Prior to 2002, the Auditing Standards Board (which is part of the American Institute of Certified Public Accountants) was the only source of authoritative auditing standards in the United States. However, following Enron and WorldCom, the U.S. Congress passed the Sarbanes-Oxley Act of 2002, stripping the profession of the ability to regulate itself and to monitor its own practices as they relate to the audit of publicly listed companies. This authority is now assigned to the Public Company Accounting Oversight Board (PCAOB), and any firm that audits a publicly listed company in the United States must register with the PCAOB and is subject to inspection by the PCAOB no matter where in the world that audit firm is located.

In many other countries, public accounting firms perform audits in accordance with standards established by the International Accounting and Auditing Standards Board (IAASB) of the International Federation of Accountants (IFAC). In some cases, the standards of the IAASB are supplemented with oversight by a local authority—for example, the Auditing and Assurance Standards Board of the Canadian Institute of Chartered Accountants (CICA). The IAASB has also been recognized as an authoritative source of auditing standards in the United States, as evidenced by the decision of the Auditing Standards Board of the AICPA to issue standards consistent with those of the IAASB whenever possible and practical.

In this spirit, we provide coverage of promulgations by both the IAASB and the PCAOB (which include many pre-2002 ASB standards as an interim measure). Although the audit process described in this book is not dependent on either set of standards, we believe that auditors worldwide need to be familiar with both because most auditors will work in international settings throughout their careers. For example, many non-U.S. public companies are registered with the U.S. SEC, or are subsidiaries of U.S. companies, so auditors around the world need to understand PCAOB standards. In turn, auditors in the United States need to understand international standards, as many non-publicly traded clients are audited under the standards of the AICPA, which are being harmonized with the standards of the IAASB. As a result, the largest international audit firms have pushed to have a single audit methodology on a worldwide basis that facilitates compliance with both sets of standards.

Authoritative Guidance & Standards

Throughout the textbook, authoritative guidance that enhances descriptions of standards in the text are included in **Authoritative Guidance and Standards** boxes. Because this book may be used in auditing courses taught from a variety of pedagogical approaches and in a variety of contexts, these boxes help illustrate that *each topic in the text is consistent with generally accepted auditing standards (GAAS) and those standards issued by the PCAOB.* However, these standards are not embedded within the text each time the topic is mentioned; this reinforces the idea that *an audit complies with standards but is not driven by the standards.*

KNOWLEDGE AND SKILLS NEEDED BY AUDITORS IN THE 21ST CENTURY

This textbook describes auditing within the context of current economic, regulatory, and global conditions. The conduct of a financial statement audit has become increasingly complex, and the skill set necessary to perform effective and efficient audits has expanded greatly in recent years. The critical skills and knowledge needed by auditors are far ranging, and the chapters, problems, and cases in the book are developed to provide exposure to a wide range of issues in auditing. More specifically, this book will help students to

- Develop an understanding of the role of auditing and corporate governance in ensuring reliable financial reporting and appropriate behavior by stakeholders.
- Understand how organizations design and carry out corporate strategies that affect financial reporting.
- Evaluate how business processes and strategic alliances that affect financial reporting are designed and implemented.
- Assess the effect of external forces on organizations in an international marketplace.
- Assess how internal forces create risk within an organization.
- Evaluate control responses to organizational risks.
- Integrate business knowledge about an organization with accounting knowledge to develop expectations about its financial reporting.
- Understand the design and effectiveness of internal control over financial reporting.
- Link an understanding of an organization's business risks to concerns about its financial reporting and the need for audit testing.
- Develop critical thinking, ethical reasoning, and problem-solving skills to enable careful, objective analysis of audit issues.

UNIQUE FEATURES OF THIS BOOK

Emphasis on auditing as a judgment-driven, rather than a standards-driven, process: The audit is a complex judgment and decision process. Although there are many standards that affect how an audit is conducted—standards referred to in each chapter and emphasized by the **Authoritative Guidance and Standards** boxes throughout the book—the conceptual structure and execution of an audit involves a series of challenging professional judgments. We present the audit process in this light rather than as a standards-driven process. The foundation for the audit process is presented in Chapter 3, where the key elements (assertions, procedures, and evidence) and concepts (risk, materiality, and evidence) are presented and illustrated. In virtually every chapter, key decisions are presented conditional on factors that must be evaluated using professional judgment.

Auditing as an enterprise-wide, risk-based activity: A common theme of this book is that audit risk is inextricably entwined with client business risk. Risks that threaten an organization are also the source of risks that will affect an audit. Consequently, an effective audit requires an in-depth understanding of the client's industry, strategic goals and plans, critical internal processes, and residual risks that are most likely to threaten its success. This perspective is much broader than the risk perspective underlying the traditional audit risk model with its focus on

financial statement results and related assertions. Auditors have come to realize that the risk of misstatements in financial reports is the by-product of a complex risk-management process within an organization. To fully understand audit risks, the auditor must also understand how the organization identifies and responds to its external and internal risks.

Presents a global perspective on auditing: The auditing profession has become increasingly global as clients increase their far-flung operations, public accounting firms become internationally integrated, and standards are harmonized across national boundaries. In this text, we recognize these forces toward a global view of auditing and incorporate examples and practices that are relevant to virtually all countries and governments.

Integration of fraud considerations as a pervasive part of the audit: The audit failures of the past decade have elevated the responsibilities of auditors for detecting and addressing fraudulent financial reporting. The increased focus on fraudulent behavior by management is integrated throughout the book and is the particular emphasis of an innovative chapter on business reporting that brings together the latest thoughts in how to detect potential fraud at the final review stage of the audit (Chapter 14).

Integration of ethical considerations as a pervasive part of the audit: Another recognition that came out of the financial scandals of the past decade was the need to focus on the ethics of decision making, whether by management or by the auditor. Consequently, we have woven ethical considerations throughout the text to illustrate how various aspects of the audit may be affected by ethical reasoning in addition to our integrative treatment of this topic in Chapter 17.

Comprehensive coverage of the audit process: This book provides comprehensive coverage of the audit process, including some topics that are not well developed in most other textbooks, without becoming overwhelming. We accomplish this by emphasizing the conceptual and judgmental nature of the audit process. Key concepts and aspects of the audit are presented with realistic and practical illustrations.

Detailed illustration of business risk analysis: A primary feature of the book is the emphasis on analyzing business risk in order to assess the effect on the conduct of the audit. The effectiveness of management in reducing or controlling significant risks is relevant for the auditor because management actions that mitigate business risks have the potential to reduce the residual risks that the auditor should consider in the conduct of the audit. In this text, we present a number of techniques for analyzing strategic and process risks that are used in practice but do not appear in other auditing textbooks.

Integration of financial reporting and business process controls as a pervasive part of the audit: Auditors have become extremely sensitive to the need for good internal control in all organizations, as well as the impact of internal control on the audit. The PCAOB now requires the auditor to provide a report on the effectiveness of a client's internal control as it pertains to financial reporting. Although this requirement does not apply to non-listed companies in the United States, or to public companies not registered with the U.S. SEC, it has heightened the interest in internal control on most audits. This book adopts the broad approach to internal control that is embodied in the two COSO reports and is fully consistent with the new COSO Enterprise Risk Management—Integrated Framework.

We use the context of risk management to introduce concepts of internal control and then apply them directly to internal control over financial reporting. The

topic of internal control over financial reporting (as required by the PCAOB) flows naturally from the broader discussion of internal control and risk management. The discussion of internal control and its effect on the audit is pervasive to the book. Chapter 7 specifically addresses internal control in a risk management framework, whereas Chapter 8 discusses internal control over financial reporting specifically.

Use of the balanced scorecard. The audit process presented in this book presumes that auditors will utilize analytical procedures as a significant source of audit evidence whenever possible. Chapters 9 and 14 are devoted to analytical procedures and performance measurement as used in the audit. We utilize a well-known technique, the balanced scorecard, to facilitate the development of analytical evidence during the course of the audit. This allows us to illustrate how both financial and nonfinancial analytical evidence can be used to provide evidence to the auditor.

Assurance services linked tightly to current practice. We tightly integrate the current “menu” of assurance services offered by practitioners of many different sized firms with the core competencies of auditing and accounting. We focus on financial information related services such as reviews, compilations, and agreed-upon procedures engagements that often form the basis of the assurance practices of many mid-sized regional and local public accounting firms, not to mention the Big 4 firms in some of their individual country practices. We focus on “newer” assurance services to the extent that they have become widely integrated into public accounting firms (such as Trust Services in large international firms and *PrimePlus* in regional and local firms) or have a great potential for future growth (such as enterprise risk management services).

Integration of evidence collected from years of audit research into the appropriate text chapters: The results of various investigations of auditing by many auditing scholars has resulted in a broad base of evidence to judge the effectiveness of certain areas of audit practice. This evidence has been integrated into the text in a non-technical fashion. The authors believe an evidence-based book that incorporates the best audit thinking without emphasis on arcane matters of research methods ensures a sound theoretical foundation for a practice-based learning experience.

ORGANIZATION

The organization of the topics in the book reflects the logical flow of the audit process; thus, the book is divided into four main sections:

1. **Chapters 1–4:** Introduction to auditing, risk management, and the concept of the integrated audit.
2. **Chapters 5–9:** An integrated approach for evaluating client risks and controls and identifying residual risks affecting the conduct of the audit.
3. **Chapters 10–15:** Testing residual risks and financial statement assertions.
4. **Chapters 16–18:** Elaborations on pervasive themes including how to develop and interpret sample-based evidence; an integrative chapter on ethics, judgment, and legal aspects of audit practice; and expanded coverage of both financial information related assurance services and newer assurance services.

Chapters 1 and 2 introduce the concepts of auditing and risk management and present an economic explanation of the role of the financial statement audit in a

global business environment. **Chapter 3** discusses the auditor's responsibilities and presents the conceptual structure of the audit process. This chapter introduces the significant elements of the audit process: assertions, audit procedures, and audit evidence. It also defines and illustrates the *three key concepts of audit judgment* that influence all auditor decisions: *risk, materiality, and evidence*. **Chapter 4** introduces the integrated audit, which combines the auditor's evaluation of internal control over financial reporting and the audit of the information in the financial statements.

Chapters 5 through 9 cover the knowledge acquisition portion of the audit process, culminating in the assessment of residual risks that may affect the audit in general and financial statement assertions and disclosures specifically. **Chapter 5** illustrates techniques for obtaining an understanding of the client's industry and operations and performing an analysis of strategic risks confronting the organization. **Chapter 6** introduces the concepts of process analysis and analysis of internal risks. **Chapter 7** discusses the role of internal control in risk management, followed by a specific discussion of internal control over financial reporting in **Chapter 8**. Finally, **Chapter 9** introduces analytical techniques for assessing audit risks.

Chapter 10 provides the link between the evaluation of risks and the testing of financial statement assertions and disclosures. This chapter covers the topics of the audit risk model and materiality as they relate to the substantive testing of financial statement assertions. **Chapters 11, 12, and 13** discuss specific areas in detail, including in-depth coverage of substantive audit tests. **Chapters 14 and 15** discuss issues related to completing the audit including evaluating the overall reliability of financial information and preparing the auditor's report.

The final section of the book covers a number of auditing topics in greater depth. In **Chapter 16**, we discuss issues related to developing and interpreting the many different types of samples used in the course of an audit. **Chapter 17** emphasizes the nature of the audit as an ethical judgment process and specifically addresses the role of personal ethics, the professional code of conduct, and responsibilities imposed by the legal system. The final chapter, **Chapter 18**, addresses the both traditional financial information related assurance services such as reviews, compilations, and agreed upon procedures as well as "newer" assurance services such as Enterprise Risk Management and Trust Services.

CHANGES FROM THE SECOND EDITION

Sharing the judgment-based philosophy of the first two editions of this book, the third edition has been totally rewritten to reflect the dramatic developments in auditing since the second edition and advances in state-of-the-art audit practice and theory. With the addition of two new co-authors, the entire team wrote and rewrote chapters, classroom-tested chapters and sequences of materials within and between chapters, obtained student feedback, and revised again. The book continues its emphasis on auditing as a judgment process with extensive use of problems and cases supplemented with **new** short-answer questions at the end of each chapter.

Of particular importance are the following changes:

- **New Co-authors.** With the addition of Steve Salterio (Queen's University) and Brian Ballou (Miami University), the third edition taps a unique wellspring of expertise and vision in the future direction of auditing.

- **Increased Focus on the Integrated Audit.** The third edition introduces the integrated audit as consistent with the standards of the PCAOB but generally applicable to audits not under the auspices of the SEC.
- **Increased Coverage of Ethics.** The third edition integrates fraud, ethical considerations, and corporate governance into topical coverage, examples, and homework throughout the book.
- **New Management Assertions Coverage.** Chapter 3 integrates the revised structure of management assertions that comprise the financial statements consistent with recently issued standards by the AICPA and IFAC.
- **Improved Organization.** The third edition reorganizes the risk and control discussion to provide improved flow of topics. In the current edition, risk analysis (Chapters 5 and 6) is presented prior to control analysis.
- **New and Improved Integration of COSO Framework.** The discussion of internal control is fully consistent with the new COSO *Enterprise Risk Management—Integrated Framework*. In Chapters 7 and 8, the topic of internal control over financial reporting (as required by the PCAOB) flows naturally from the broader discussion of internal control and risk management.
- **New Coverage of Evidence from Client Inquiries.** Chapter 9 includes new material on conducting client inquiries and evaluating evidence obtained from inquiry procedures.
- **New Guidance on Linking Business Risk and Testing.** Chapter 10 contains improved and expanded discussion of how to link the consideration of a client's business risk to the conduct of substantive testing.
- **More Internal Control Examples.** Chapters 11, 12, and 13 include numerous specific examples of internal control over financial reporting as it pertains to specific areas of the audit.
- **New Coverage of Financial Statement Preparation.** Chapter 14 includes an in-depth discussion of the process by which financial statements are aggregated and prepared.
- **New Analytical Approaches for the Final Review of Financial Statements.** Chapter 14 expands on the material in Chapter 9 of the previous edition by employing the balanced scorecard both as a planning analytical tool in Chapter 9 and as an integrative final review tool in Chapter 14.
- **New Coverage of Reporting Requirements.** Chapter 15 adds complete coverage of new reporting requirements under *Auditing Standard 2* of the PCAOB.
- **Sampling Coverage Revised.** Chapter 16 approaches sampling from the viewpoint of what do you need to know to interpret sample-based evidence, and then incorporates the details of sampling based on that framework.
- **Assurance Services Linked Tightly to Current Practice.** Chapter 18 tightly integrates the current menu of assurance services offered by practitioners of many different sized firms to the core competencies of auditing and accounting. We focus on financial information related services such as reviews, compilations, and agreed-upon procedures engagements that often form the basis of the assurance practices of many mid-sized regional and local public accounting firms, not to mention the Big 4 firms in some of their individual country practices. We focus on "newer" assurance services to the extent that they have become widely integrated into public accounting firms (such as Trust Services in large international firms and *PrimePlus* in regional and local firms) or have a great potential for future growth (such as enterprise risk management services).

- **New Guidance and Standards Boxes.** As shown on p. xiv, this new box helps document how topics in each chapter are fully consistent with U.S. and international auditing standard-setting bodies.
- **New and Revised Homework.** Short-answer questions at the end of each chapter have been added, many of which are designed to improve critical thinking skills of auditing students. New and revised homework throughout the text conforms both to the content of the chapters and to the balance of audit judgment and audit skills that is at the heart of the third edition.

SUPPLEMENTS

The following supplements support instructors in planning and managing their course:

Instructor's Resource CD-ROM (ISBN 0-324-37821-1). The Instructor's Resource CD-ROM includes the following supplements:

- **Instructor's Manual with Solutions** (ISBN 0-324-37818-1). Written by the authors with the help of Chrislynn Freed (University of Southern California) and Robert Tucker (University of Florida), this supplement contains suggested solutions for every homework item in the text, along with instructor tips and additional instructor materials.
- **Test Bank** (ISBN 0-324-37820-3). Written by Amelia Baldwin (University of Alabama, Huntsville), this complete bank of test items in Word is fully correlated with the content in the text.
- **PowerPoint Slides.** These PowerPoint slides, by the authors, support instructors as they plan and present lectures and classroom activities. The slides are downloadable from the product support web site and available on the Instructor's Resource CD-ROM.

Product Web Site. This web site (www.thomsonedu.com/accounting/knechel) contains downloads of the Instructor's Manual with Solutions, the Test Bank files in Word, the PowerPoint slides, and periodic updates and additional instructor material.

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Foreword

From the Director, Academic Research,
KPMG LLP

Recent business improprieties aided by materially misstated financial statements have revitalized society's demand for high-quality financial statement audits. Relevant and reliable business information fosters the flow of capital toward its most productive uses. When information is misleading, or users perceive that it is not credible, capital may flow to less productive uses and thus hinder an economy's adaptive efficiency. The resulting cost is borne not just by those who are invested in a given security at a given time, but by society at large. High-quality financial statement audits, therefore, serve the public interest by reducing uncertainty about the reliability of financial information.

The quality of audits and the quality of auditing education are inextricably linked. *Auditing: Risk and Assurance*, Third Edition, by Robert Knechel, Steven Salterio, and Brian Ballou, has several distinctive features that will help auditing educators instill in their students the footprint of a high-quality 21st-century audit. For example, the book presents the contemporary integrated audit as a process of professional judgment and decision making. In my view, one of the most important lessons that faculty can provide to students of auditing is that they are beginning a journey toward becoming *professional judges*. By presenting overarching concepts that illuminate the nature, role, and importance of professional judgment in auditing, this book will help students perceive more clearly and fully the fundamental drivers of audit quality. Students using this book will learn the difference between a professional judgment process and the judgment of a layperson.

Another distinctive feature of *Auditing: Risk and Assurance* is its extensive coverage of concepts and tools for risk identification, assessment, and management. Today's complex financial reporting frameworks require management's exercise of judgment to measure past, present, and expected future economic conditions and events. In turn, the auditor exercises professional judgment to make inferences and form opinions about matters that are inherently uncertain. For this and other reasons, the 21st-century audit is a risk-assessment process. Audit teams successively assess and respond to risks of material misstatement in management's assertions until they conclude that their latest revised assessments rest on valid reasoning from an accumulation of sufficient and appropriate audit evidence.

This book introduces students to risk assessment frameworks, techniques, and tools useful for attaining the high level of quality expected of today's audit. These include, among others, strategic risk analysis, process risk analysis, techniques for