Principles of Auditing & Other Assurance Services

Nineteenth Edition

O. Ray Whittington

CIA, CMA, CPA
DePaul University

Kurt Pany

CFE, CPA
Arizona State University



Contents

Preface iv	The Auditors' Responsibility for Detecting Misstatements 40
Chapter 1	Errors and Fraud 40
The Role of the Public Accountant	Compliance with Laws and Regulations 41
 -	Auditors' Reports 42
in the American Economy 1	Nonpublic Company Audit Reports—Standard 42
What Are Assurance Services? 1	Public Company Audit Reports—Unmodified
The Attest Function 1	(Unqualified) 46
Assurance and Nonassurance Services 3	Other Types of Auditors' Reports 47
Financial Statement Audits 4	The Attestation Standards 48
What Creates the Demand for Audits? 5	Quality Control in CPA Firms 49
Major Auditing Developments of the 20th Century 7	Regulation of Accounting Firms 49
The Accounting Profession's Credibility Crisis 9	Public Company Accounting Oversight Board 49
The Financial Crisis of 2008 10	Peer Review and Inspections 51
Types of Audits 10	International Accounting and Auditing Standards 52
Types of Auditors 11	
The Public Accounting Profession 12	Chapter Summary 54
American Institute of Certified Public Accountants 13	Key Terms Introduced or Emphasized in
The CPA Examination 15	Chapter 2 55
	Review Questions 56
State Boards of Accountancy 15	Questions Requiring Analysis 57
Financial Accounting Standards Board 15	Objective Questions 58
Governmental Accounting Standards Board 16	Problems 62
Federal Accounting Standards Advisory Board 16	In-Class Team Case 63
The Public Company Accounting Oversight Board 16	Research and Discussion Case 64
Securities and Exchange Commission 16	Supplementary References 64
The International Federation of Accountants 17	Appendix 2A
Other Types of Professional Services 18	Comparison of International Standards on Auditing
Organization of the Public Accounting Profession 19	with AICPA Auditing Standards 64
Industry Specialization 20	
Responsibilities of the Professional Staff 20	Chapter 3
Professional Development for Public Accounting	Professional Ethics 66
Firm Personnel 22	Trotessional Denies of
Seasonal Fluctuations in Public Accounting Work 22	The Nature of Ethics 66
Relationships with Clients 23	What Are Ethical Dilemmas? 66
Chapter Summary 23	A Framework for Ethical Decisions 67
Key Terms Introduced or Emphasized	Making Ethical Decisions—A Professional Example 67
in Chapter 1 24	The Need for Professional Ethics 69
Review Questions 26	Professional Ethics in Public Accounting 70
Questions Requiring Analysis 26	The AICPA Code of Professional Conduct 71
Objective Questions 27	Background on Independence and the AICPA Conceptual
Problems 31	Framework for Independence Standards 73
In-Class Team Case 32	Analysis of Independence 76
Research and Discussion Case 32	Analysis of Integrity and Objectivity 84
Supplementary References 32	Analysis of General Standards 85
supprementally regerences 52	Analysis of Compliance with Standards 85
Chantor 2	Analysis of Accounting Principles 86
Chapter 2	Analysis of Confidential Client Information 87
Professional Standards 33	Analysis of Contingent Fees 88
Auditing Standards 33	manysis of Commigent rees 00
· ····································	
	Analysis of Acts Discreditable 88
AICPA Generally Accepted Auditing Standards 35 PCAOB Auditing Standards 39	

Analysis of Form of Organization and Name 90	Chapter 5
Alternative Practice Structures 91	Audit Evidence and Documentation 137
The CPA as Tax Advisor—Ethical Problems 91	
Enforcement of Professional Ethics 92	The Relationships among Audit Risk, Audit Evidence
Ethics for Internal Auditors 93	and Financial Statement Assertions 137
Chapter Summary 95	Financial Statement Assertions 137
Key Terms Introduced or Emphasized in	Audit Risk at the Account Balance, Class of Transaction,
Chapter 3 96	or Disclosure Level 139
Review Questions 97	Audit Risk Illustrated 140
Questions Requiring Analysis 98	Measuring Audit Risk 140
Objective Questions 99	Audit Evidence 141
Problems 104	Types of Audit Procedures 143
In-Class Team Cases 105	Substantive Procedures 148
Research and Discussion Case 106	Types of Substantive Procedures 148
Supplementary References 106	Timing of Substantive Audit Procedures 150
	Extent of Substantive Procedures 150
Chapter 4	Analytical Procedures 150
Legal Liability of CPAs 107	Nature of Analytical Procedures 150
Legal Diability of Cl As 107	Timing of Analytical Procedures 153
The Scope of CPA Liability 107	Extent of Analytical Procedures 154
Litigation Placed in Perspective 107	Audit Evidence for Subjective Areas 155
Sources of CPA Liability 108	Evidence Regarding Accounting Estimates 155
CPAs' Liability to Their Clients under	Evidence Regarding Fair Values 155
Common Law 109	Evidence Regarding Related Party Transactions 157
The Elements of Duty and Breach of Duty 110	Audit Documentation 158
The Element of Losses (Damages) 111	Confidential Nature of Working Papers 159
The Element of Causation (Proximate Cause) 111	Ownership of Audit Working Papers 159
Auditors' Common Law Liability to	Working Papers and Auditors' Liability 159
Third Parties 112	Types of Working Papers 160
Ultramares (Known User) Approach 112	Organization of Working Papers 163
Restatement of Torts (Foreseen User) Approach 113	Guidelines for Preparation of Working Papers 163
Rosenblum (Foreseeable User) Approach 113	Computer-Generated Working Papers 165
Summary of Third-Party Liability Approaches 114	Review of Audit Working Papers 165
Liability to Third Parties under Statutory Law 114	Chapter Summary 167
Securities Act of 1933 115	Key Terms Introduced or Emphasized in
Securities Exchange Act of 1934 116	Chapter 5 168
Comparison of the 1933 and 1934 Acts 118	Review Questions 170
Racketeer Influenced and Corrupt Organizations Act 119	Questions Requiring Analysis 171
Auditors' Criminal Liability under the Securities	Objective Questions 172
Acts 119	Problems 175
Criminal Liability under Other Statutes 120	In-Class Team Case 178
SEC and Public Company Accounting Oversight	Research and Discussion Case 181
Board Regulation 120	Supplementary References 182
CPAs' Liability for Accounting and	
Review Services 121	Chapter 6
CPAs' Posture in the Age of Litigation 123	Audit Planning, Understanding the Client,
Chapter Summary 124	Assessing Risks, and Responding 183
Key Terms Introduced or Emphasized in	Assessing Misks, and Responding 105
Chapter 4 124	The Audit Process 183
Review Questions 126	Obtaining Clients 185
Questions Requiring Analysis 127	Submitting a Proposal 187
Objective Questions 128	Communication with Predecessor Auditors 188
Problems 132	Planning the Audit 189
In-Class Team Case 135	Establishing an Understanding with the Client 190
Research and Discussion Case 136	Develop an Overall Audit Strategy and Audit Plan 191
Supplementary References 136	Use of the Client's Staff 192

Involvement of More Than One CPA Firm 192 Use of Specialists 193 Additional First-Year Considerations 193	Part I: Audit Planning 235 Appendix 6C Problems 242
Obtaining an Understanding of the Client and Its	, "
Environment 193	Chapter 7 Internal Control 243
Risk Assessment Procedures 194	internal Control 243
Sources of Information 196	The Meaning of Internal Control 243
Determining Materiality 198	The Foreign Corrupt Practices Act of 1977 245
Assessing the Risks of Material Misstatement	Means of Achieving Internal Control 245
and Designing Further Audit Procedures 202	The Control Environment 246
Assessing Risks of Material Misstatement 202	Commitment to Integrity and Ethical Values 246
Addressing the Risks of Material Misstatement	Effective Board of Directors 246
Due to Fraud 204	Effective Organizational Structure 247
Designing Further Audit Procedures in Response to	Attracting, Developing, and Retaining Competent
Assessed Risks 208	Employees 248
The Audit Trail and Directional Testing 209	Individual Accountability 249
Transaction Cycles (Classes of Transactions) 210	Risk Assessment 249
The Audit Program 211	Control Activities 249
The Systems (Internal Control) Portion of the	Performance Reviews 250
Program 211	Information Processing Controls 250
The Substantive Procedures Portion of the	Physical Controls 251
Program 212	Segregation of Duties 252
Summary of the Relationship between Tests of Controls	The Accounting Information System 252
and Substantive Procedures 214	Monitoring of Controls 253
Objectives of Audit Programs 214	Internal Audit Function 253
General Objectives of Audit Programs for	Limitations of Internal Control 254
Assets 214	Enterprise Risk Management 254
Substantiation of Account Balances 216	Corporate Governance and Its Relationship to Internal
Existence of Assets 216	Control 256
Rights to the Assets 216	Financial Statement Audits: The Role of
Establishing Completeness 216	Internal Control 256
Verifying the Cutoff 217	Obtain an Understanding of the Client and Its
Valuation of Assets 217	Environment, Including Internal Control 257
Financial Statement Presentation	Required Auditor Understanding of Internal Control
and Disclosure 217	Components 258
An Illustration of Audit Program Design 218	Areas Difficult to Control 260
Timing of Audit Work 218	Risk Assessment Procedures for Internal Control 260
Chapter Summary 220 Key Terms Introduced or Emphasized in	Documenting the Understanding of Internal Control 261
Chapter 6 220	Assess the Risks of Material Misstatement 265 Assess Risks at the Financial Statement Level 266
Review Questions 222	Assess Risks at the Financial Statement Level 200 Assess Risks at the Relevant Assertion Level 267
Questions Requiring Analysis 223	Design and Perform Further Audit Procedures 267
Objective Questions 225	Tests of Controls 267
Problems 230	Revise the Risk of Material Misstatement Based on the
Ethics Case 230	Results of Tests of Controls 269
Appendix 6A	Design and Perform Substantive Procedures 269
Selected Internet Addresses 231	Documentation 269
Appendix 6B	Decision Aids for Audit Program Modification 272
Examples of Fraud Risk Factors 232	Consideration of the Work of Internal Auditors 272
Risk Factors Relating to Misstatements Arising from	Consideration of Outsourced Computer Processing to
Fraudulent Financial Reporting 232	Service Organizations 273
Risk Factors Relating to Misstatements Arising from	Communication of Control-Related Matters 274
Misappropriation of Assets 234	Internal Control Reporting by Public Companies
Appendix 6C	and Their Auditors 277
Illustrative Audit Case: Keystone Computers	Overall Approach for an Audit of Internal Control 278
& Networks, Inc. 235	Internal Control in the Small Company 279

Chapter Summary 280 Key Terms Introduced or Emphasized in Chapter 7 281 Review Questions 283 Questions Requiring Analysis 284 Objective Questions 286 Problems 290 In-Class Team Case 292 Appendix 7A Antifraud Programs and Control Measures 294 Chapter 8 Consideration of Internal Control in an	Allowance for Sampling Risk (Precision) 336 Sample Size 336 Audit Sampling for Tests of Controls 337 Sampling Risk for Tests of Controls 337 Attributes Sampling 338 Determine the Objective of the Test 338 Define the Attributes and Deviation Conditions 338 Define the Population 339 Specify the Risk of Assessing Control Risk Too Low and the Tolerable Deviation Rate 339 Estimate the Expected Population Deviation Rate 340 Determine the Sample Size 340 Select the Sample 341
Information Technology Environment 297	Test the Sample Items 341
Nature of IT-Based Systems 298 Characteristics of Various Types of IT-Based Systems 298 Impact of IT on the Audit Trail 301 Internal Control in an IT Environment 302 Organizational Structure of the Information System Function 302 Computer-Based Fraud 305 Internal Auditing in an IT Environment 306 Control Activities in an IT System 306 General Control Activities 307 Application Control Activities 309	Evaluate the Sample Results 341 Document the Sampling Procedure 343 Detailed Illustration of Attributes Sampling 343 Other Statistical Attributes Sampling Approaches 345 Nonstatistical Attributes Sampling 346 Audit Sampling for Substantive Procedures 346 Sampling Risk for Substantive Procedures 347 Classical Variables Sampling 347 Mean-per-Unit Estimation 348 Controlling Sampling Risk 348 Determination of Sample Size 348 Evaluation of Sample Results 349
User Control Activities 310 Control in Decentralized and Single Workstation	Illustration of Mean-per-Unit Estimation 350 Difference and Ratio Estimation 353
Environments 311	Illustration of Difference and Ratio
The Auditors' Consideration of Internal Control	Estimation 354
n an IT Environment 311	Nonstatistical Sampling for Substantive
Obtaining an Understanding of IT-Based System	Procedures 356
Controls 3/2	Illustration of Nonstatistical Sampling 356
Assessing the Risks of Material Misstatement 313 Designing Substantive Procedures with Computers 318	Chapter Summary 358 Key Terms Introduced or Emphasized in Chapter 9 358
Using Audit Software: An Illustration 319	Review Questions 360
Chapter Summary 320 Key Terms Introduced or Emphasized in Chapter 8 321	Questions Requiring Analysis 361 Objective Questions 362 Problems 365
Review Questions 323	In-Class Team Cases 367
Questions Requiring Analysis 324	Appendix 9A
Objective Questions 324	Probability-Proportional-to-Size (PPS)
Problems 327	Sampling 369
n-Class Team Case 328	Determination of Sample Size 369 Controlling Sampling Risk 370 Mathed of Sample Salvetine 370
Chapter 9	Method of Sample Selection 370 Evaluation of Sample Results 370
Audit Sampling 331	Illustration of PPS Sampling 371
Comparison of Statistical and Nonstatistical sampling 331 Selecting a Random Sample 332	Considerations in Using PPS Sampling 373 Appendix 9B Audit Risk 374
Other Methods of Sample Selection 334 Stratification 334	Key Terms Introduced or Emphasized in Chapter 9 Appendixes 375
Types of Statistical Sampling Plans 335	Questions and Problems for Chapter 9 Appendixes 376
71 V 1 O 1 1 O 1 1 1 1 1 1 1 1 1 1 1 1 1	The state of the s

Objective Questions 377	Internal Control over Notes Receivable 437
In-Class Team Case for Chapter 9 Appendixes 379	Audit Documentation for Receivables and Revenue 438
Integrating Problem for Chapter 9 and the	Audit of Receivables and Revenue 439
Appendixes 379	Interim Audit Work on Receivables and Revenue 463
Chautau 10	Chapter Summary 464
Chapter 10	Key Terms Introduced or Emphasized in
Cash and Financial Investments 381	Chapter 11 464 Review Questions 465
Cash 381	Questions Requiring Analysis 466
Sources and Nature of Cash 381	
The Auditors' Objectives in the Audit of Cash 381	Objective Questions 468 Problems 474
How Much Audit Time for Cash? 382	In-Class Team Case 476
Internal Control over Cash Transactions 382	Ethics Cases 478
Internal Control over Cash Receipts 383	
Internal Control over Cash Disbursements 385	Appendix 11A
Audit Documentation for Cash 390	Illustrative Audit Case: Keystone Computers
Audit of Cash 390	& Networks, Inc. 479 Part II: Consideration of Internal Control 479
Interim Audit Work on Cash 404	
Financial Investments 404	Appendix 11A Problems 492
The Need for Specialized Knowledge 404	Appendix 11B
The Auditors' Objectives in Auditing Financial	Illustrative Audit Case: Keystone Computers
Investments 405	& Networks, Inc. 493
Internal Control over Financial Investments 405	Part III: Substantive Tests—Accounts Receivable
Internal Control Questionnaire 406	and Revenue 493
Audit of Financial Investments 407	Appendix 11B Problems 499
Risks of Material Misstatement of Financial	
Investments 407	Chapter 12
Substantive Procedures for Financial Investments 408	Inventories and Cost of Goods Sold 500
Chapter Summary 413	Inventorial and Control Control Control 500
Key Terms Introduced or Emphasized in	Inventories and Cost of Goods Sold 500
Chapter 10 413	Sources and Nature of Inventories and Cost
Review Questions 414	of Goods Sold 500
Questions Requiring Analysis 415	The Auditors' Objectives in Auditing Inventories
Objective Questions 417	and Cost of Goods Sold 500
Problems 423	Internal Control over Inventories and Cost of
In-Class Team Cases 427	Goods Sold 501
Research and Discussion Case 429	Control Environment 502
Ethics Case 430	Risk Assessment 502
	Monitoring 503
	Purchases and Production Cycles—Accounting Systems
Chapter 11	and Control Activities 503
Accounts Receivable, Notes Receivable,	Audit Documentation for Inventories and Cost of
and Revenue 431	Goods Sold 507 Audit of Inventories and Cost of Goods Sold 507
Receivables 431	
Sources and Nature of Accounts Receivable 431	Problems Associated with Inventory of First-Year Audit Clients 525
Sources and Nature of Notes Receivable 431	Chapter Summary 526
	· · · · · · · · · · · · · · · · · · ·
The Auditors' Objectives in Auditing Receivables and Revenue 432	Key Terms Introduced or Emphasized in Chapter 12 526
Internal Control of Accounts Receivable and	
Revenue 432	Review Questions 527 Questions Requiring Analysis 528
Control Environment 432	Objective Questions 529
Risk Assessment 433	Problems 534
Revenue Cycle— Accounting System and Control	In-Class Team Case 535
Activities 433	Ethics Case 536
Monitoring 437	Research and Discussion Case 536
	research and Discussion case 330

Chapter 13	In-Class Team Case 592
Property, Plant, and Equipment: Depreciation and Depletion 538	Appendix 14A Illustrative Audit Case: Keystone Computers
-	& Networks, Inc. 593
Property, Plant, and Equipment 538	Part IV: Consideration of Internal Control 593
The Auditors' Objectives in Auditing Property, Plant, and Equipment 538	Appendix 14A Problems 596
Contrast with Audit of Current Assets 539	Chapter 15
Internal Control over Plant and Equipment 539 Audit Documentation 540	Debt and Equity Capital 597
Initial Audits and Repeat Engagements 542	Debt 597
Audit of Property, Plant, and Equipment 542	Source and Nature of Debt 597
Depreciation 550	The Auditors' Objectives in Auditing Debt 597
The Auditors' Perspective toward Depreciation 550	Assessment of the Inherent Risks Related to Debt 598
The Auditors' Objectives in Auditing Depreciation 551	Internal Control over Debt 598
Audit Program—Depreciation Expense and Accumulated	Audit Documentation 599
Depreciation 551	Audit of Debt 599
Testing the Client's Provision for Depreciation 552	Time of Examination—Debt 605
Examination of Natural Resources 552	Equity Capital 605
Audit of Intangible Assets 553	Sources and Nature of Owners' Equity 605
Audit of Plant, Equipment, and Intangibles in Advance of	The Auditors' Objectives in Auditing Owners'
the Balance Sheet Date 553	Equity 606
Chapter Summary 554	Internal Control over Owners' Equity 606
Key Terms Introduced or Emphasized in Chapter 13 554	Audit Documentation for Owners' Equity 608
Review Questions 554	Audit Program—Capital Stock 608
Questions Requiring Analysis 555	Retained Earnings and Dividends 612
Objective Questions 557	Financial Statement Presentation of Stockholders'
Problems 560	Equity 612 Time of Examination—Stockholders' Equity 613
In-Class Team Case 563	Audit of Partnerships and Sole Proprietorships 613
	Chapter Summary 613
Chapter 14	Key Terms Introduced or Emphasized in
Accounts Payable and Other Liabilities 564	Chapter 15 614
Accounts Payable 564	Review Questions 614
Sources and Nature of Accounts Payable 564	Questions Requiring Analysis 616 Objective Questions 617
The Auditors' Objectives in Auditing Accounts	Problems 619
Payable 564	Tiblenis 019
Internal Control over Accounts Payable 565	Chapter 16
Audit Documentation for Accounts Payable 567	Auditing Operations and Completing
Audit of Accounts Payable 567	the Audit 622
Other Liabilities 578	
Amounts Withheld from Employees' Pay 578	Auditing Operations 622
Sales Taxes Payable 579 Unclaimed Wages 579	The Auditors' Approach to Auditing Operations 622
Customers' Deposits 579	Revenue 623
Accrued Liabilities 579	Relationship of Revenue to Balance Sheet Accounts 623
Balance Sheet Presentation 583	Miscellaneous Revenue 623
Time of Examination 583	Expenses 624
Chapter Summary 583	Relationship of Expenses to Balance
Key Terms Introduced or Emphasized in Chapter 14 584	Sheet Accounts 624
Review Questions 584	Substantive Procedures for Selling, General,
Questions Requiring Analysis 586	and Administrative Expenses 624 The Audit of Payroll 627
Objective Questions 586	Internal Control over Payroll 627
<u> </u>	merian Comroi over Fayron 02/

Documentation of Internal Control for Payroll 630

Problems 590

Audit Program for Payroll 630

Audit of the Statement of Cash Flows 631	Emphasis-of-Matter Paragraph 669
Completing the Audit 631	Group Financial Statements 670
Search for Unrecorded Liabilities 632	Modified Opinions 673
Review the Minutes of Meetings 632	Materially Misstated Financial Statements ("Departures
Perform Final Analytical Procedures 632	from GAAP") 673
Perform Procedures to Identify Loss	Inability to Obtain Sufficient Appropriate Audit Evidence
Contingencies 632	(Scope Limitation) 675
Perform the Review for Subsequent Events 636	Summary of Auditors' Reports 677
Obtain Representation Letter 639	Additional Reporting Issues 677
Communicate Misstatements to Management 639	Two or More Report Modifications 677
Evaluate Audit Findings 640	Reporting on Comparative Financial Statements 678
Review the Engagement 644	Different Opinions on Different Statements 679
Responsibilities for Other Information 644	Alerting Readers about the Intended Use of the Auditors'
Other Information in Documents Containing Audited	Report 679
Financial Statements 644	Reports to the SEC 679
Required Supplementary Information 644	Chapter Summary 680
Supplementary Information in Relation to the Financial	Key Terms Introduced or Emphasized in
Statements as a Whole 645	Chapter 17 681
Opinion Formulation and Report Issuance 646	Review Questions 682
Additional Communications 646	Questions Requiring Analysis 683
Post-Audit Responsibilities 647	Objective Questions 683
The Auditors' Subsequent Discovery of Facts Existing at	Problems 690
the Date of Their Report 647	In-Class Team Cases 693
Subsequent Discovery of Omitted Audit	Research and Discussion Case 695
Procedures 647	
Chapter Summary 647	Chapter 18
Key Terms Introduced or Emphasized in	•
Chapter 16 648	Integrated Audits of Public Companies 697
Review Questions 649	Overview 697
Questions Requiring Analysis 650	Management's Responsibility for Internal
Objective Questions 652	Control 698
Problems 656	Management's Evaluation Process and
In-Class Team Case 659	Assessment 698
Research and Discussion Case 659	The Auditors' Responsibility for Reporting on
Supplementary References 660	Internal Control in PCAOB Audits 701
	Plan the Engagement 702
Chapter 17	Use a Top-Down Approach to Identify
•	Controls to Test 703
Auditors' Reports 661	Test and Evaluate Design Effectiveness of Internal Contro
Financial Statements and Standard Unmodified Audit	over Financial Reporting 708
Reports 661	Test and Evaluate Operating Effectiveness of Internal
Financial Statements 661	Control over Financial Reporting 708
Financial Statement Disclosures 662	Form an Opinion on the Effectiveness of Internal Control
Comparative Financial Statements 662	over Financial Reporting 712
The Auditors' Standard Report—Nonpublic	Audit Report Modifications 715
Clients 662	Other Communication Requirements 716
The Auditors' Standard Report—Public Clients 664	Reporting on Whether a Previously Reported Material
Expression of an Opinion 665	Weakness Continues to Exist 718
Reports with an Unmodified Opinion and an	Integrated Audits for Nonpublic Companies 718
Emphasis-of-Matter Paragraph 666	Chapter Summary 719
Substantial Doubt about a Company's Going-Concern	Key Terms Introduced or Emphasized in
Status 667	Chapter 18 719
Generally Accepted Accounting Principles Not Consistently	Review Questions 720
Applied 668	Questions Requiring Analysis 721

Auditor Discretionary Circumstances That Result in an

	Contents AXXI
Objective Questions 722	Attestation Standards 756
Problems 725	The Criteria 757
In-Class Team Cases 726	Attestation Risk and Materiality 760
	The Character of the Engagement 760
	Assurance Service Examples 762
Chapter 19	Assurance on Internal Control over
Additional Assurance Services: Historical	Financial Reporting 762
Financial Information 728	Assurance on Prospective Financial Statements 762
A TUD AG A	Assurance on Compliance 764
Audit-Based Services:	Assurance on Management's Discussion and Analysis 764
Assurance on Additional Information 728	Trust Services 764
Reporting on Compliance with Aspects of Contractual	Service Organization Control (SOC) Reports 766
Agreements or Regulatory Requirements in Connection	PrimePlus/ElderCare Services 767
with Audited Financial Statements 728	Future Assurance Services 768
Letters for Underwriters 729	Chapter Summary 769
Summary Financial Statements 730	Key Terms Introduced or Emphasized in Chapter 20 770
Auditing Financial Statements That Use a Financial	Review Questions 771
Reporting Framework Other Than GAAP 730	Questions Requiring Analysis 772
Audits of Financial Statements Prepared in	Objective Questions 772
Accordance with Special-Purpose Financial Reporting	Problems 776
Frameworks 730	In-Class Team Case 776
Financial Statements Prepared Using a Financial	Research and Discussion Case 777
Reporting Framework Generally Accepted in Another	
Country 733	Chapter 21
Additional GAAS Audits 733	Internal, Operational, and Compliance
Single Financial Statements and Specific Elements,	Auditing 778
Accounts, or Items of Financial Statements 733	Additing 776
Audits of Personal Financial Statements 736	Internal Auditing 778
Reviews of Historical Financial Statements 736	What Is the Purpose of Internal Auditing? 778
SSARS Reviews of Nonpublic Companies	Evolution of Internal Auditing 778
(Nonissuers) 736	The Internal Auditors' Role in Sarbanes-Oxley
PCAOB and Auditing Standards Board Reviews of Interim Information 741	Compliance 780
Compilations of Historical Financial	Professional Standards of Internal Auditing 780
Statements 742	Certification of Internal Auditors 791
Nature of a Financial Statement Compilation 742	Operational Auditing 791
Chapter Summary 744	Objectives of Operational Audits 791
Key Terms Introduced or Emphasized in	General Approach to Operational Audits 791
Chapter 19 745	Compliance Auditing 795
Review Questions 746	Attesting to Compliance with Laws and Regulations 795
Questions Requiring Analysis 747	Compliance Auditing of Government Entities
Objective Questions 748	and Organizations Receiving Federal Financial
Problems 752	Assistance 797
In-Class Team Case 752	Compliance Auditing—A Summary 804
Research and Discussion Case 753	Chapter Summary 805
Supplementary References 753	Key Terms Introduced or Emphasized in
Supplementally Rejerciacs 700	Chapter 21 805
	Review Questions 806
Chapter 20	Questions Requiring Analysis 807
Additional Assurance Services Other	Objective Questions 808

Index 813

Problems 811

In-Class Team Case 812

Additional Assurance Services: Other

The Demand for Assurance Services 755

Information 754

Assurance Services 754