

STUDY PLATFORM

Advanced Audit and Assurance (INT)

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Author, Examiner, Marker



Our course will ensure you a quick pass in the AAA exam!

Platform Overview

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Tuition Course / 2 IFRS Recap Part one

ACCA AAA

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Tuition Course / 24 Quality Control

Chapter 4 Quality control and practice

Contents:

- Session 1: Quality control
- Session 2: Audit sampling and audit documentation
- Session 3: Advertising, Fees and Tendering
- Session 4: Professional appointments

Referenced syllabus: C.1.2.3

Referenced ISA:

- ISQC 1 Quality control for firms
- ISA 530 Audit Sampling
- ISA 230 Audit Documentation
- ISA 220 Quality control for an audit of Financial Statements
- ISA 210 Agreeing the terms of audit engagements

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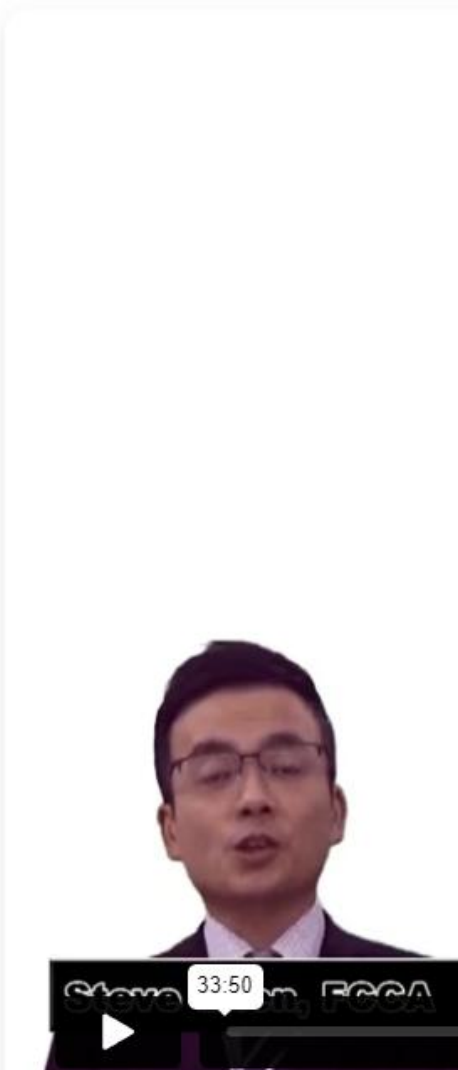
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Platinum Questions Go through in 2025 (Boost your marks) / 16 Money laundering Past Exa...



33:50

APC

Exam rehearsal question - Thomasson & Co (Anti-money laundering programme and indicators of money laundering activities)	
Exhibits	You are an audit manager in Thomasson & Co, a firm of Chartered Certified Accountants. You have recently been assigned to the audit of Clean Co for the year ended 30 September 20X8. Clean Co is an unlisted company and has been an audit client of your firm for a number of years.
Requirements	Clean Co is a national distributor of cleaning products. The company buys the cleaning products from wholesalers and employs a team of approximately 750 sales staff around the country who sell the company's products to both domestic households and small to medium-sized businesses. Around 75% of Clean Co's sales transactions are cash-based and each of the company's
Requirements (10 marks)	
Response options	Word Processor

Revision Course

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- Inherent risk question type two
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2025 Revision Course (Boost your marks) / Risks of Materials Misstatements Part one



14:44

Steve Chen, FCCA, Course Director at GlobalAPC


Chapter 2: Revision of and Risks of Material Misstatement (ROMM) and Audit Risks

Per ISA 200 Overall Objective of the Independent Auditor & the Conduct of an Audit in Accordance with ISAs

Audit risks = ROMM x Detection Risk

Overall exam approach for ROMM/Audit Risk:

- Paragraph 1: Explain the risk.
- Paragraph 2: To demonstrate 'evaluation' and 'prioritisation' skills in your answer:
 - High uncertainties – management estimates
 - High complexity - models and regulation
 - High subjectivity - multiple a/c treatments
 - High susceptibility - related parties (fraud)



Demo of Tuition Note

11 / 267 | — 100% + | 📄 🔗

Chapter 1 Audit procedures for different accounting areas (IFRS)

Referenced syllabus: Part D 3 (a)

Covered IFRS:

- IAS 1 Presentation of Financial Statements
- IAS 2 Inventories
- IAS 7 Statement of cash flows
- IAS 8 Accounting policies, changes in accounting estimates and errors
- IAS 12 Income Taxes
- IAS 16 Property, Plant and Equipment (PP&E)
- IAS 19 Employee Benefits
- IAS 20 Government grants and disclosure of government assistance
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 23 Borrowing costs
- IAS 33 Earnings Per Share
- IAS 36 Impairment of assets
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 38 Intangible assets
- IAS 40 Investment Property
- IAS 41 Agriculture
- IFRS 2 Share based payment
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IFRS 5 Non-current assets held for sale and discontinued operations
- IFRS 8 Operating Segments
- IFRS 9 Financial instrument and International Auditing Practice Notes (IAPN) 1000 Special considerations in auditing financial instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases



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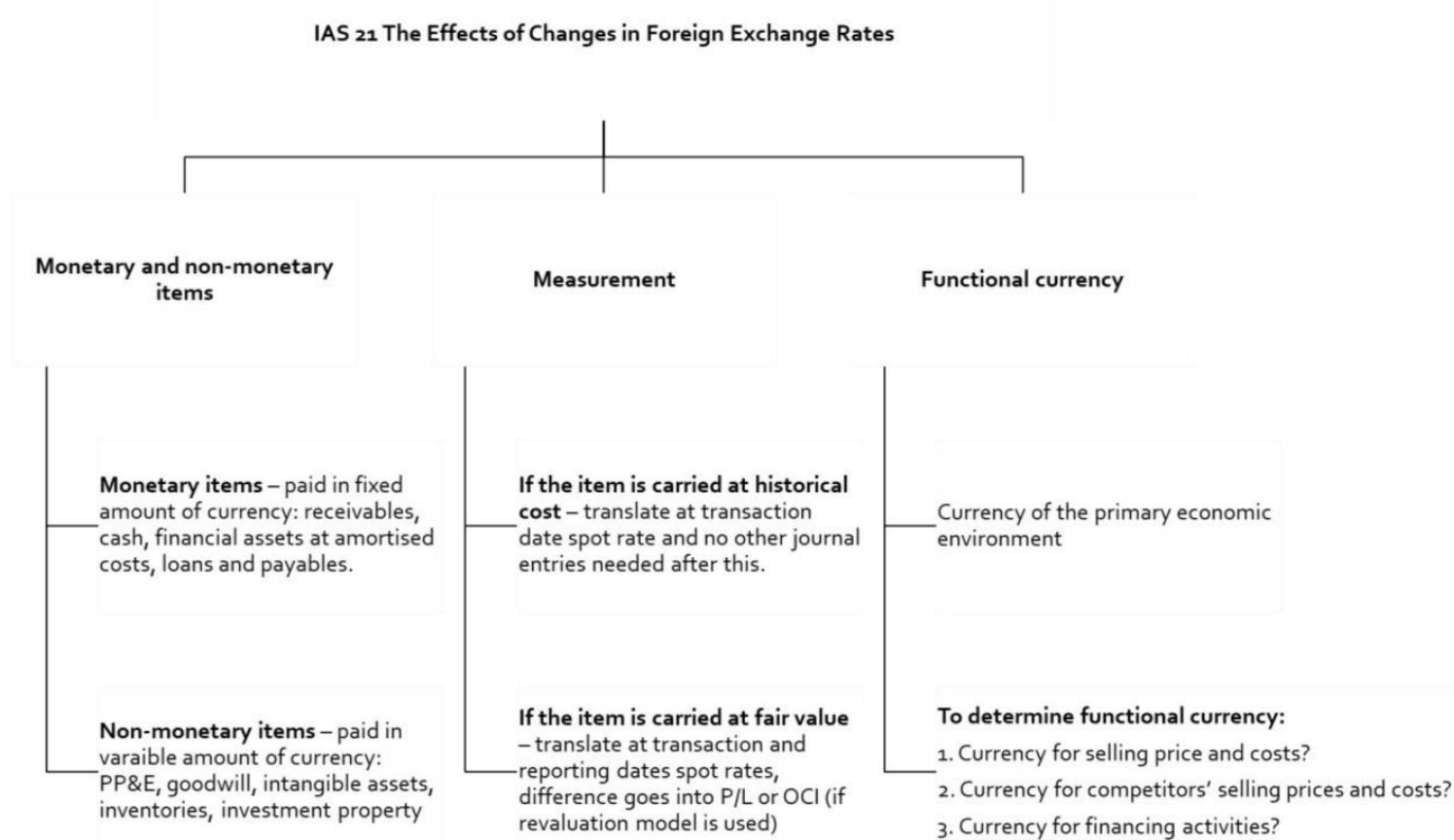
Education Book

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21 / 267 | — 156% + | 📄 🔗

IAS 21 The Effects of Changes in Foreign Exchange Rates

IFRS summary:

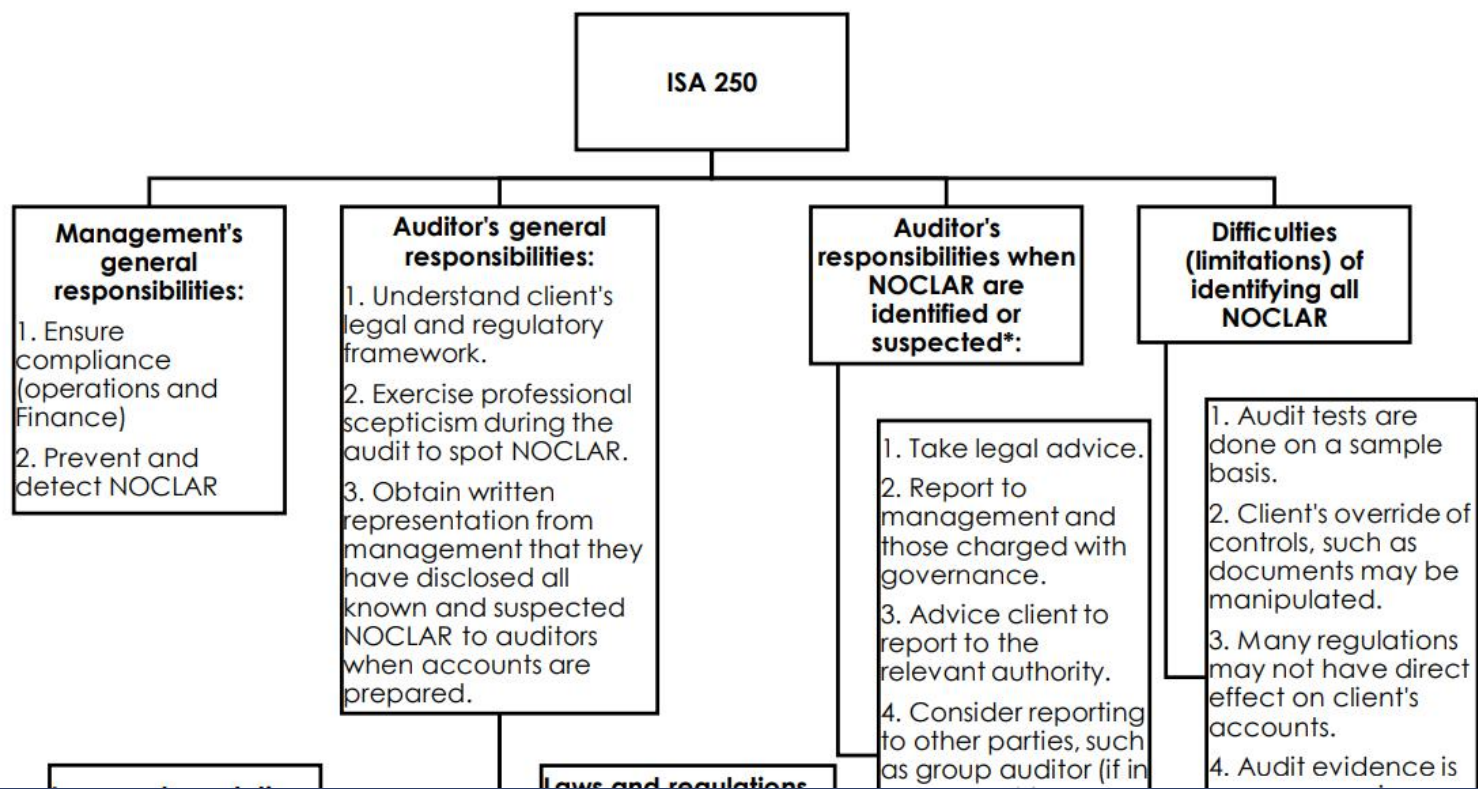


ISA 250 Consideration of Laws and Regulations in an Audit of Financial Statements

Overview of the standard:

Sketch:

Non Compliance with Laws And Regulations (**NOCLAR**) **comprises** acts of **omission**, **commission**, **intentional** or **unintentional**, committed by a client, or by those charged with governance, by management or by other individuals working for or under the direction of a client (staff or agents) which are **contrary** to the prevailing **laws** or **regulations**.



#1

We summarise all the IFRS, ISA knowledge in the way that examiner requires.

Demo of Platinum Questions

41 / 189 | — 100% + |

Platinum area 6: Auditor's liability

How is this area commonly tested in the AAA exam?

The examining team usually expects students to understand different methods to reduce auditors' liability.

The ACCA Corporate and Business Law paper has covered this area in detail, together with AAA syllabus, which lists the court case relating to the auditor's liability issues. However, these are not expected from examining team, and make sure you will only focus on the practical application in the exam.

There is one in this area:

- Exam rehearsal question 1 – Grimes Ltd (Methods to reduce auditors' liabilities)

43 / 189 | 100% +

Suggested Answer:

Word Processor

Paragraph

Client acceptance procedures

Firms should carefully assess the risk associated with potential audit clients. Screening procedures should be used to identify matters that create potential exposure for the audit firm. For example, it would be unwise to take on a new client with significant going concern problems. (Alternative point: The issue is that a client should only be accepted if the associated risk can be managed to an acceptably low level given the skills and resources of the audit firm.)

Proper use of engagement letters

The engagement letter should be used to clearly state the responsibilities of the auditor, and of management. As it forms a contract between the audit firm and the client, it should be updated on an annual basis, with care being taken to ensure the client is fully aware of any changes in the scope of the audit, or the reporting responsibilities of the audit firm.

Performance and documentation of audit work

Audit firms should ensure that professional standards and auditing standards are followed. It is important that full documentation is maintained for all aspects of the audit, including planning, evaluation of evidence, and consideration of ethical issues. A claim of negligence is unlikely to be successful if the audit firm has documentary evidence that ISAs have been followed.

Quality control

Firms must ensure they have implemented firm-wide quality control procedures, as well as procedures applicable to the individual audit engagement. Quality control acts as an internal control for the audit firm, helping to ensure that ISAs and internal audit methods have been followed at all times.

External consultations

Firms should make use of external specialists when the need arises, for example obtaining legal advice where appropriate, to ensure that the auditor's actions are acceptable within the legal and regulatory framework.

Disclaimers

Disclaimer paragraph could be included in the 'other matter paragraph' in the audit report per ISA to limit auditor's liability, ie audit report can only be used for specific users.

#2

Questions are structured per the latest AAA CBE style, with our own written answers showing you the steps to follow, to gain the maximum marks.

Exam rehearsal question 1 – Grimes Ltd (Methods to reduce auditors' liabilities)

Symbol Highlight Strikethrough Calculator Scratch Pad Close All Flag for Review

Exhibits 1. Auditor's liability	You are the partner responsible for the audit of Grimes Ltd, for the year ended 30 April 20x0. Grimes Ltd's main operating activity is property development. The management of Grimes Ltd have asked that the audit report be issued by no later than 25 June 20x0, and you are aware that Grimes Ltd is hoping to secure finance based on the audited financial statements.
Requirements Requirements (4 marks)	
Response options Word Processor	

Help Previous Navigator Next

Requirement (4 marks)

Explain FOUR methods that may be used by an audit firm to reduce exposure to litigation claims. (4 marks)

Exhibit 1. Auditor's liability

You are also responsible for providing guidance to more junior members of the audit department of your firm on technical matters. Several recent recruits have asked for guidance in the area of auditor's liability. They are keen to understand how an audit firm can reduce its exposure to claims of negligence.

Demo of Revision Note

Chapter 2: Revision of and Risks of Material Misstatement (ROMM) and Audit Risks

Per ISA 200 Overall Objective of the Independent Auditor & the Conduct of an Audit in Accordance with the Standards

Audit risks = ROMM x Detection Risk

Overall exam approach for ROMM/Audit Risk:

- Paragraph 1: Explain the risk.
- Paragraph 2: To demonstrate 'evaluation' and 'prioritisation' skills in your answer
 - High uncertainties – management estimates
 - High complexity - models and regulation
 - High subjectivity - multiple a/c treatments
 - High susceptibility - related parties (fraud)
 - Change - change of a/c policies and estimates
 - Management is not aware this issue – such as fail to understand the to follow corporate governance or other regulations
 - There might be other areas that controls are poor – given that the control of this area is weak
 - Responses from auditors (particularly useful for inherent risks): (ISA 301)

Chapter 3: Inherent risk

Type 1 Inherent risk: General movement (Analytical Procedures)

Points	Implications	Why inherent risk	Evidence from the case
Unlisted company. This can also be applied to companies with going concern problems, liquidity problems.	Pressure on financial results (in order to pay high dividends, or support its aggressive expansion plan)	So that earnings management techniques may be used by management.	Projected profit before tax is higher than previous year's figures (indicate operating expenses are understated)
Projected revenue or profits of the group is different from those in each segment	The trend differences can be explained by: <ul style="list-style-type: none">Revenue/profits have been misclassified between segments.Whether circumstances are factored in the projection by management, such as potential withdrawal of licences. (applies to highly regulated industries)	Projected results are over-optimistic (aggressive earnings management)	Revenue is projected to increase by 14%, with 44% increase in operating profit, and 25% increase in PBT – imply expenses may have been understated or misclassified.
	management bias to	By overstating	

Practical case applications:

Actions	Case information	Threats to objectivity
<ul style="list-style-type: none">Do not accept it.Get rid of it.Remove it from the team.	<p>Auditors owning shares in client. – sell client's shares before becoming the auditor of this engagement.</p> <p>Auditor loans or obtains loans from client which is not a bank.</p> <p>Close business relationship with client in terms of joint venture.</p> <p>Buy goods from client with substantial discount (not on normal business term).</p> <p>Auditor seeking employment with the client.</p>	Self interest threat to objectivity
<ul style="list-style-type: none">Reject this unless the value is immaterial.	<p>Accept gifts and hospitalist where values are significant.</p>	
<ul style="list-style-type: none">Inform those charged with governance;Conduct the hot review (pre-issuance review) on the second year's audit opinion by the independent auditor; or the cold review on the third year's audit report if the second year's account has been issued.	<p>A single client's fee accounts for more than 15% of firm's total revenue.</p>	
<ul style="list-style-type: none">Chase money from them before issuing the audit report;arrangement a reasonable payment plan.	<p>Overdue fees from client.</p>	

#3

Our Revision Note summarises all the standard proforma answers which you can directly apply in the exam, with all the potential cases.

Demo Mock Exams



ACCA Advanced Audit & Assurance (AAA) (INT) Mock Exam 2

Q1:

Audit Planning for Ki Co

Exhibit 1 – Email from Audit Engagement Partner

To: Audit Manager

From: Harvey Rebus, Audit Engagement Partner

Subject: Audit Planning for Ki Co

Date: 1 July 20X5

Hello,

I have provided you with some information which you should use to help you in planning the audit of Ki Co for the financial year ending 30 September 20X5. As you know, Ki Co is a new audit client of our firm. I hope you are looking forward to working on this interesting new client which is the first timber company we have secured as an audit client. You should also be aware that the management team is planning for Ki Co to achieve a stock market listing within the next two years. Based on the analysis I have done on this industry, it is appropriate for overall materiality to be based on the profitability of the company.

I require you to prepare briefing notes for my own use in which you:

Table 1: Evaluation of Business Risks

Marks	Description
8	Evaluate the business risks to be considered in planning the audit of Ki Co.

Table 2: Evaluation and Prioritization of Significant Audit Risks

Marks	Description
20	Evaluate and prioritize the significant audit risks for Ki Co.

Q3:

You are an audit manager in Jansen & Co which offers a range of audit and other assurance services to its clients.

The following exhibits, available below, provide information relevant to the question:

- 1 Narley Co – request to provide an assurance report on prospective financial information.
- 2 Watson Co – provides details of matters which have been brought to your attention by the audit supervisor.

This information should be used to answer the question requirements within the response option provided.

Exhibit 1 – Narley Co

One of your audit clients is Narley Co which operates a commercial haulage company. Narley Co has been an audit client for the last five years and is currently planning a significant expansion of its operations into a new geographical area and jurisdiction. In order to finance the planned expansion, Narley Co needs funds to purchase additional heavy goods vehicles, expand its warehousing facilities and recruit more drivers.

The company is also planning a major advertising and marketing campaign targeted at potential customers in the new jurisdiction.

Narley Co’s finance director, Suzanne Seddon, has approached you to ask if your firm will provide a report on the prospective financial information which has been prepared in support of a loan application. The application is for a new long-term loan of \$22 million from the company’s current lender which it intends to use exclusively to finance the planned expansion. The company currently has an existing long-term loan of \$31 million from the same bank which is redeemable in five years’ time.

#4

Our Mock Exams are meticulously designed to cover the hottest topics, ensuring you're fully prepared for what's most likely to appear.