

**SYLLABUS  
AUDITING AND ASSURANCE 2  
ECAU604105**

<b>Lecturers</b>	<b>Program</b>
Dudi Hadi Santoso / Mawar I.R. Napitupulu	Regular
Agung Nugroho Soedibyo	Regular
Aria Farahmita / Ludovicus Sensi	Regular
Eliza Fatima / Nur Aulia Rahmah	Regular
Soemarso S.R. / Eliza Fatima	Regular
Nur Aulia Rahmah / Aria Kanaka	Regular
Hendang Tanusdjaja	Ekstensi

Subject Code	ECAU604105
Subject Title	Auditing and Assurance 2
Credit Value	3
Pre-requisite	Auditing and Assurance 1
Role and Purposes	This course is a part of the Auditing and Assurance Services class which consists of Auditing and Assurance 1 and 2. This course aims to provide understanding of risk-based approach to the audit of financial statements, and also auditors' report. Based on the understanding of client's risk, students are expected to learn how to design the appropriate audit strategy.
Subject Learning Outcomes	<p>Upon completion of the subject, student will be able to:</p> <p>(T2) apply relevant auditing standards and applicable laws and regulations to an audit of financial statements</p> <p>(T3) assess the risks of material misstatements in the financial statements and consider the impact on the audit strategy</p> <p>Critical Thinking (TLA only)</p> <p>a) Provide arguments and draw conclusions supported by appropriate evidence</p> <p>Communication Skills (TLA only)</p> <p>b) Communicate clearly and concisely in presentation and discussion</p>



Subject Synopsis/ Indicative Syllabus	Week #	Topic and Sub-Topic	Required reading
	1 Lecturing	<p>Students should be able to:</p> <ol style="list-style-type: none"> <li>1. Suggest why risk-based approaches have become more important</li> <li>2. Define audit risk and business risk and show how auditors approach risk</li> </ol> <p><b>ISA, Professional Skepticism and Risk-Based approach</b></p> <ol style="list-style-type: none"> <li>1.1 IFAC and IAASB</li> <li>1.2 Professional Standards issued by IAASB</li> <li>1.3 ISA</li> <li>1.4 Professional Skepticism</li> <li>1.5 Risk-based approach to audit</li> </ol>	<p>SC chap. 7,4,13 IAASB Handbook ISA 200, 240 IGSM chap.5 TMT bab 1</p>
	2 Group Presentation and Discussion	<p>Students should be able to:</p> <ol style="list-style-type: none"> <li>3. Show the extent to which external audit can use the work of the internal audit in achieving audit objectives</li> <li>4. Explain why the audit evidence search is a central concept of auditing</li> <li>5. Explain the relationship between audit evidence and the application of audit judgment</li> <li>6. Show that there are different grades of audit evidence</li> <li>7. Show that evidence has to be collected in different ways at each audit stage</li> </ol> <p><b>Internal Audit, Audit Evidence</b></p> <ol style="list-style-type: none"> <li>2.1 Reliance on internal audit by external auditors</li> <li>2.2 The audit is defined as a search for evidence to enable an opinion to be formed</li> <li>2.3 The exercise of judgment based on evidence</li> <li>2.4 Reliability of audit evidence (grade of audit evidence)</li> <li>2.5 The stage of audit process and the evidence requirements at each stage</li> </ol>	<p>IGSM chap. 6, 15 SC chap. 18, 19 ISA 500, 501, 610</p>

		3 Group Presen tation and Discussi on	<p>Students should be able to:</p> <p>8. Explain the role of tests of control</p> <p>9. Evaluate systems in use in selected areas and draw up audit conclusions</p> <p><b>Testing and Evaluation of System</b></p> <p>3.1 Sales and debtors</p> <p>3.2 Payroll systems</p> <p>3.3 Purchase and credit systems</p> <p>3.4 General and application control in sales system</p> <p>3.5 Test of control</p> <p>3.6 Evaluation of system and audit conclusion</p>	IGSM chap. 9 Arens chap. 14	
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		4 Group Presen tation and Discussi on	<p>Students should be able to:</p> <p>10. Describe the substantive procedures to respond to the assessed level of risk of material misstatement</p> <p>11. Explain the nature of communication of audit matters to TCWG</p> <p><b>Substantive Testing, Computer-assisted audit techniques and audit program</b></p> <p>4.1 substantive testing of transactions, account balances and disclosures</p> <p>4.2 the use of software</p> <p>4.3 directional testing</p> <p>4.4 substantive audit program</p> <p>4.5 communication of audit matters with TCWG</p> <p>4.6 audit management with computers</p>	IGSM chap. 10	
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	5 Group Presenta- tion and Discussion	<p>Students should be able to:</p> <p>12. Discuss the importance of audit sampling</p> <p>13. Distinguish between non-statistical and statistical sampling</p> <p>14. Describe the key steps and data required to perform statistical sampling</p> <p>15. Explain the role of materiality in relation to the financial statements</p> <p><b>Sampling and materiality</b></p> <p>5.1 why sampling</p> <p>5.2 designing and selecting the sample</p> <p>5.3 sample selection methodology</p> <p>5.4 evaluation of test result</p> <p>5.5 monetary unit sampling</p> <p>5.6 alternative statistical sampling method</p>	IGSM chap11 SC chap 23 ISA 530 TMT chap. 28	
	6 Group Presenta- tion and Discussion	<p>Students should be able to:</p> <p>16. Describe auditors' and directors' responsibilities in relation to fraud</p> <p>17. Outline the factors which may indicate risk of fraud</p> <p><b>Fraud and Financial shenanigans</b></p> <p>6.1 responsibility for fraud detection</p> <p>6.2 recent debates relating to fraud</p> <p>6.3 earnings manipulation shenanigans</p> <p>6.4 cash flow shenanigans</p> <p>6.5 fraud and financial statements</p> <p>6.6 management responsibility</p> <p>6.7 auditor responsibility</p>	IGSM chap. 17 HMS part 2, 3 ISA 240	
	7 Discussion	Wrap up and preparation for mid exam		
	<b>MID- TERM EXAM</b>			



	8 Studium General e	<p>Students should be able to:</p> <p>1. Explain the role of data analysis in audit of historical financial statements</p> <p><b>Data Analysis</b></p> <p>8.1 The importance of data analysis in audit of historical financial statements</p> <p>8.2 Data analysis and audit evidence collection in substantive testing</p> <p>8.3 Introduction to IDEA</p>		
	9 Group Presen tation and Discussi on	<p>Students should be able to:</p> <p>19. Describe the inherent risk affecting inventories and explain the control by management and detection procedures carried out by auditor to keep the audit risk to acceptable law level.</p> <p>20. Apply the general principles for determining the validity of the amount attributed to inventories</p> <p><b>Inventories :</b></p> <p>a. Nature of inventories</p> <p>b. Inherent risk</p> <p>c. Control to reduce the impact of inherent risk</p> <p>d. Substantive approach</p>	<p>1. IGSM chap. 13 (6<sup>th</sup> ed)</p> <p>2. SC ch.19</p> <p>3. ISA 501</p> <p>4. Arens chap. 21</p>	
	10 Group Presen tation and Discussi on	<p>Students should be able to:</p> <p>21. Describe the inherent risk affecting construction contract and explain the control by management and detection procedures carried out by auditor to keep the audit risk to acceptable law level</p> <p>22. Apply the general principles for determining the validity of the amount attributed to construction contracts</p> <p><b>Construction Contract :</b></p> <p>• Valuation of construction contract</p>	IGSM chap. 13 (6 <sup>th</sup> Ed)	
	11 Group Presen tation and Discussi on	<p>Students should be able to:</p> <p>22. Describe specific matters relating to audit of accounting estimates and fair value</p> <p>23. Apply the general principles for determining the validity of accounting estimates and fair value</p> <p><b>Accounting Estimates and Fair Value</b></p> <p>a. Accounting Estimates</p> <p>b. Fair Value</p> <p>c. Disclosures</p>	<p>a. SC chap.24</p> <p>b. ISA 540</p> <p>c. IGSM chap. 13 (6<sup>th</sup> Ed)</p>	
	12 Group Presen tation and Discussi on	<p>Students should be able to:</p> <p>23. Detail the specific procedures that auditor performs in respect of post-balance sheet events</p> <p>24. Explain the nature of contingent liabilities and contingent assets and detail procedures in respect of them</p> <p>25. Describe auditors' and directors' responsibilities for going concerns</p> <p>26. Explain the nature and role of the management letter of representation</p>	<p>SC ch. 26,27,28</p> <p>ISA 560,570,580</p> <p>Arens chap.24</p>	



		<p>27. Describe the final working paper review procedures</p> <p><b>Final Review (Audit Completion)</b></p> <p>12.1 Post balance sheet events</p> <p>12.2 Contingent liabilities and contingent assets</p> <p>12.3 Going concern:</p> <p>12.3.1 Directors' and auditors' responsibilities for going concerns</p> <p>12.3.2 Reporting on going concern</p> <p>12.4 Management representation letter</p> <p>12.5 Audit documentation</p> <p>12.6 Role of final review</p>		
	13 Group Presenta- tion and Discussi- on	<p>Students should be able to:</p> <p>28. Discuss when a matter paragraph might be required in the audit report</p> <p>29. Discuss the various forms of modified opinions and identify circumstances under which each type would be appropriate</p> <p>30. Discuss auditor's responsibilities when dealing with comparative information</p> <p>31. Discuss the responsibility of the group auditor</p> <p><b>Auditors Report on Audit of Historical Financial Statements</b></p> <p>13.1. Forming an opinion on the financial statement</p> <p>13.2 Corresponding figures and comparative figures</p> <p>13.3 Audit of group financial statements</p> <p>13.4 Introduction to communication of key audit matters in the auditor report</p>	SC chap.29,32, 35, ISA 600,700,701, 705,706,710	
	14 Discussio- n	<p>Wrap up and preparation for final exam</p> <p>Lecturer also discusses lab audit activities in relation to: (i) The importance of data analysis in audit of historical financial statements and (ii) Data analysis and audit evidence collection in substantive testing</p>	AICPA FRC DAWG	

Teaching/ Learning Methodology	<p>Teaching method uses active lecturing and class discussions, in which students achieve the study objectives by presenting and discussing cases under the guidance of lecturer.</p> <p>There is also experiential learning through computer laboratory audit, in which students analyze data as part of evidence collection process in a illustrative audit case.</p> <p>Students are required to prepare a paper of maximum 5 pages, individually. The broad topic for the paper is (i) the importance of data analysis in audit of historical financial statements and/or (ii) data analysis and audit evidence collection in substantive testing. Required readings for the paper are listed under "Supplementary Readings" below, appears on number 7, 8 and 9. This paper should be submitted at week 14 and will be presented and discussed at week 14.</p>				
Assessment Method in Alignment	<b>Specific Assessment Methods/Tasks</b>	<b>% Weightin g</b>	<b>Intended Learning Outcomes to be Assessed</b>		

with Intended Learning Outcomes			<b>T2</b>	<b>T3</b>	<b>a</b>	<b>b</b>	
	Continuous Assessment	100%					
	GROUP						
	Presentation	10%			√	√	
	INDIVIDUAL						
	Mid Exam	25%	√	√			
	Final Exam	25%	√	√			
	Lab	10%		√			
	Quiz	10%			√	√	
	Paper	10%			√	√	
	Participation	10%			√	√	
Details of learning methods	<p>The specific learning methods used in this subject are:</p> <ol style="list-style-type: none"> <li>1. Lecturing</li> <li>2. Group Presentation and Discussion</li> <li>3. Public Lecture / Studium Generale in session 1 and 8</li> </ol>						
Student Study Effort Expected	<p><b><u>Class contacts:</u></b></p> <p><u>Lectures</u></p> <p><u>Presentation and discussion</u></p> <p><b><u>Sub-total</u></b></p> <p><b><u>Other student stud</u></b></p> <p><b><u>effort:</u></b>Preparation for</p> <p><u>assignments/tests</u></p>	<b>Total</b>					<u>28 Hours</u> <u>2 Hours</u> <u>30 Hours</u>  <u>20 Hours</u> <u>50 Hours</u>

Reading List and References	<p>Required Readings:</p> <ol style="list-style-type: none"> <li>1. Ian Gray, Stuart Manson, The audit Process – Principles, Practices and Cases, Thomson (<b>IGSM</b>)</li> <li>2. Steven Colling, Interpretation and Application of International Standards, John Willey &amp; Sons (SC)</li> <li>3. Tuanakotta, Theodorus M, Audit Kontemporer, Penerbit Salemba Empat, 2015 (<b>TMT 2</b>)</li> </ol> <p>Supplementary Readings:</p> <ol style="list-style-type: none"> <li>1. Handbook of International Quality Control, Review, Auditing, Other Assurance, and Related Services Pronouncements, 2016-2017, IAASB (<b>Handbook IAASB</b>)</li> <li>2. Standar Auditing (Adopsi ISA) – IAPI (<b>SA</b>)</li> <li>3. Howard M, Shilit, Financial shenanigans, McGraw Hill (<b>HMS</b>)</li> <li>4. Tuanakotta, Theodorus M, Audit berbasis ISA, Penerbit Salemba Empat, 2013 (<b>TMT</b>)</li> <li>5. Tuanakotta, Theodorus M, Mendeteksi Manipulasi Laporan Keuangan, Penerbit Salemba Empat, 2013 (<b>TMT 1</b>)</li> <li>6. Arens, Alvin, Beasley, Elder, Auditing and Assurance services – an integrated approach. Global Edition. Pearson Education Limited 2014 (<b>Arens</b>)</li> <li>7. Audit Analytics and Continuous Audit: Looking Toward the Future, AICPA, 2015 (<b>AICPA</b>)</li> <li>8. Audit Quality Thematic Review: The Use Of Data Analytics In The Audit Of Financial Statements, The Financial Reporting Council Limited, 2017 (<b>FRC</b>)</li> <li>9. Data Analytics Working Group, IAASB, <a href="http://www.iaasb.org/projects/data_analytics">http://www.iaasb.org/projects/data_analytics</a> (<b>DAWG</b>)</li> </ol>
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