

Level: Professional

Subject Title: Corporate Reporting

Examination Duration: 3 Hours and 20 minutes

Aim

The aim of this subject is to ensure that students have the technical knowledge and critical understanding of how to account for transactions and prepare financial statements for both single entities and groups, in accordance with international financial reporting standards and Irish GAAP.

Corporate Reporting as an integral part of syllabus

Corporate Reporting develops the concepts covered in Financial Accounting and provides students with the appropriate context to develop their technical skills. It is an essential underpinning for the later study of Advanced Corporate Reporting and Audit Practice & Assurance Services.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

The above table shows the linkages between Corporate Reporting and the subjects highlighted. The capabilities developed will be built upon in the study of the subjects highlighted above.

➤ Learning outcomes

On successful completion of this subject, students should be able to

- Prepare the financial statements of companies and groups of companies in accordance with current international financial reporting standards and national and EU legislation, including:
 - (i) Statements of Profit or Loss and other Comprehensive Income,
 - (ii) Statements of Financial Position
 - (iii) Statements of Changes in Equity, and
 - (iv) Statements of Cash flow.
- Discuss the circumstances under which organisations may, or must, apply IFRS and / or local UK and Irish GAAP demonstrating an understanding of the key accounting and presentation differences between them if Local GAAP was applied.
- Prepare notes to financial statements in accordance with current international financial reporting standards and national and E.U. legislation.
- Appraise and apply the methods of accounting for business combinations; and Interpret financial statements and prepare reports tailored to each user group's technical knowledge and understanding of such statements.

➤ Syllabus

1. Company Accounts

- (a) Preparation and presentation of financial statements to comply with the Companies Act 2014, and standard international accounting practice.

2. Group Accounts and Business Combinations

- (a) Consolidated statements of financial position, consolidated statements of profit or loss and other comprehensive income, including reserve reconciliations, consolidated statements of cash flow, acquisition of subsidiaries and associates during the year (excluding foreign subsidiaries and associates).
- (b) Takeover of partnership and sole traders.
- (c) Treatment of goodwill at acquisition N.B Sub-subsidiaries are not included.

3. Interpretation of Financial Statements

- (a) Ratio analysis, cash flow analysis, interpretation, and the preparation of reports thereon.

➤ Assessment Strategy

Examination Approach

Students are required to demonstrate a detailed understanding of accounting principles and the ability to apply these to practical situations. A peripheral knowledge does not suffice. In addition to testing technical competence the examination requires students to demonstrate effective communication skills, particularly in relation to the production of both internal memoranda and external financial reports for a wide variety of user groups. Students are expected to integrate and apply learning from this and other syllabi, as appropriate.

Examination Format

The examination is unseen, closed-book and 3 hours' 20 minutes in duration. There are four questions. Students are required to answer all questions.

Marks Allocation

Marks

Question 1 and 2, compulsory, both computational	60
Question 3 and 4	40
Question (30 Marks each)	
Question (20 Marks each)	

Total 100

➤ Learning Resources

Core Texts

Connolly / International Financial Accounting and Reporting 5th ed. / CAI 2015 / ISBN-13: 978-1910374290

Elliott and Elliott, Financial Accounting and Reporting, 2017 Pearson (18th edition) ISBN-13: 978-1292162409

A new era for Irish & UK GAAP - A quick reference guide to FRS102 – Robert J. Kirk

<http://www.cpaireland.ie/docs/defaultsource/Members/Publications/a-new-era-forirish-amp-uk-gaap---a-quick-reference-guide-tofrs102.pdf?sfvrsn=0>

Manuals

Griffith College CPA P1 Corporate Reporting Latest edition.

Supplementary Texts and Journals

Cotter / Advanced Financial Reporting; A Complete Guide to IFRS/ 2012/ ISBN-13: 978 0273732358

A Step-by-step Approach by **Paul Mahony and Niall MacLochlainn**/ 2nd ed ISBN-13: 978-1908199478

Collins, McKeith / Financial Accounting and Reporting / McGraw- Hill 2013 / ISBN-13: 9780077138363

Melville / International Financial Reporting / 5th Edition / Pearson 2016 / ISBN-13: 978-1292086231

CPA Students' eBulletin

AccountancyPlus

Useful Websites

(as at date of publication)

www.cpaireland.ie - CPA Ireland.

www.iaasa.ie/ - Irish Auditing and Accounting Supervisory Authority.

www.ifac.org/ - The International Federation of Accountants.

www.ifrs.org/ - The International Financial Reporting Standards Foundation.

www.fasb.org - Financial Accounting Standards Board (USA).

www.iasplus.com - Deloitte Touche Tohmatsu. Summaries of International Financial Reporting Standards (IFRS).

www.frc.org.uk/ - The Financial Reporting Council.

www.frc.org.uk/About-the-FRC/FRCstructure/Audit-and-Assurance-Council.aspx, FRC-Audit and Assurance Council

www.frc.org.uk/About-the-FRC/FRCstructure/Accounting-Council.aspx, FRC Accounting Council

www.frc.org.uk/About-the-FRC/FRCstructure/Conduct-Committee.aspx, FRC-Conduct Committee

www.accountingnet.ie/ - Irish Accounting and Business Portal.

Level : Professional

Subject Title: Auditing

Examination Duration: 3 Hours 20 minutes

Aim

The aim of this subject is to introduce students to the concepts and principles of the audit process and to develop their understanding of its application in the context of the legal, regulatory and ethical framework of the profession.

Auditing as an integral part of syllabus

Auditing is an essential foundation subject for the subsequent study of Audit Practice and Assurance Services at Professional 2 Stage. It is also an essential component for the study of Advanced Corporate Reporting at Professional 2 Stage.

In carrying out the audit of an entity's financial statements there is a critical need to identify the source, and test the treatment of financial statement items (period transactions and year-end balances) and disclosures, to ensure compliance with Irish GAAP. The subjects: Financial Accounting and Corporate Reporting will provide students with this necessary knowledge. Business Laws, Corporate Laws and Governance, Taxation and Information Systems will increase students' awareness of other matters that an auditor must consider in the audit process.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

The above table shows the linkages between Auditing and the subjects highlighted. The capabilities developed will be built upon in the study of the subjects highlighted above.

➤ Learning outcomes

On successful completion of this subject, students should be able to:

- Interpret and discuss the legal, regulatory and ethical framework within which the auditor operates.
- Appraise the respective responsibilities of directors and auditors.
- Discuss the nature, purpose and scope of an audit and defend the role of the auditor.
- Apply and explain the process relating to the acceptance and retention of professional appointments, to include the purpose and content of engagement letters.
- Devise an overall audit strategy and develop an audit plan.
- Supervise and review the various stages of the audit process.
- Outline the nature of internal controls and the procedures required to evaluate control risk relating to specific accounting systems, in order to identify internal controls and weakness within the systems.
- Distinguish between Tests of Control and Substantive Procedures.
- Design and apply the appropriate audit tests to include in the audit programme.
- Carry out analytical procedures and assess the implications of the outcome.
- Appraise the significance, purpose and content of management letters and management representations.
- Discuss the distinction between an internal and external audit.
- Apply and discuss audit sampling.
- Demonstrate the outcome and implications of subsequent event reviews.
- Plan and describe the audit of computer information systems.
- Draw appropriate conclusions leading to the formulation of the auditor's opinion.
- Apply and explain the basic component elements of the auditor's report.
- Identify and appraise matters that impact on the wording of Modified Reports, differentiating between matters that do not affect the auditor's opinion, and matters that do affect the auditor's opinion.
- Recognize ethical issues, discuss, escalate or resolve these as appropriate within the Institute's ethical framework, demonstrating integrity, objectivity, independence and professional skepticism.

➤ Syllabus

1. The Auditor and Audit Environment

- (a) The Statutory Audit: need, objective, focus, nature and structure.
- (b) Public interest, expectations, interrelationships between auditor, directors (management) and shareholders and other users of financial statements, including their respective roles and the auditor's duties to these parties.
- (c) The Irish audit profession and the CPA Institute: organisation and regulation.
- (d) International Standards on Auditing (ISAs) and other technical pronouncements issued by APB: nature, formulation, issuance and compliance enforcement.
- (e) The audit implications of International Accounting Standards (IFRS/IAS): understanding and basis for application.
- (f) Directors' responsibilities versus auditor's responsibilities for financial statements and internal controls; distinction between external and internal audit.
- (g) Corporate governance. The audit exemption threshold for Companies and the procedure to become audit exempt.

2. Auditor's Legal Ethical and Professional Responsibilities

- (a) Professional ethical responsibilities:
 - (i) CPA Code of Ethics.
 - (ii) IFAC Code of Ethics.
 - (iii) Ethical Standard for Auditors (Ireland) 2016.
- (b) Statutory responsibilities and rights:
 - (i) Companies Acts 2014: audit conduct, appointment, termination, removal, access.
 - (ii) Company Law Enforcement Act (2001): indictable offence, reporting to ODCE in the event of indictable offences (lack of proper books of accounts, improper director transactions).
 - (iii) Criminal Justice Acts: money laundering offences (including Money Laundering and Terrorist Financing 2010 Act), reporting to Revenue Commissioners and Gardai in the event of breaches.
 - (iv) Other relevant laws: EU Directives.
- (c) Key responsibilities derived from International Standards on Auditing (ISAs).
- (d) Auditor's responsibility in relation to frauds and for the entity's compliance with laws and regulations.
- (e) Auditor's responsibilities defined by case law arising from alleged negligence (financial statements misstated) and related exposure and consequences.
- (f) Pre-appointment procedures: client assessment (including management integrity) and completion of engagement letter.

3. Audit Planning and Supervision

- (a) Materiality: nature (quantitative and qualitative), determination, impact and use throughout different phases of the audit.
- (b) Audit risk and its components (inherent, control and detection risks): interrelationships, evolution as audit progresses and impact on nature, timing and extent of audit work.
- (c) Audit strategies (risk-based auditing, tests of control, substantive procedures, combined procedures, audit around and through computerized systems) and their impact on the conduct of the audit.
- (d) Knowledge of the entity and its environment: business, risks, management, and accounting systems.
- (e) Nature, extent and timing of audit procedures in response to assessed risks of material misstatement, sufficient and appropriate audit evidence, types of audit evidence, general audit techniques (enquiry, observation, inspection, analysis, computation, confirmation).
- (f) Audit planning memo, audit programmes and working papers.
- (g) Audit supervision and review.

4. Audit Execution: Internal Control, Assessing Control Risk and Tests of Control

- (a) Entity's control environment and control procedure, objectives, limitations, attributes.
- (b) Auditor's and management respective responsibilities.
- (c) Internal control descriptions (flowcharts, narrative descriptions, walkthroughs) and internal control assessments (ICEs/ICEQs).
- (d) Broad approach to internal controls, components of internal controls, limitations of internal control.
- (e) Assessing the Risk of Material Misstatement, Internal Controls assessment and Tests of Control for the following major systems: sales, purchases, payroll, cash receipts and disbursements, inventory.
- (f) Audit Programmes for Tests of Control.
- (g) Final Assessment of Control Risk.
- (h) Management letter reporting and assessment of impact on audit strategy.

5. Audit Execution: Financial Statement Items Substantive Procedures

- (a) Application of specific substantive procedures to test the following categories of assertions:
 - (i) Assertions relating to classes of transactions and events;
 - (ii) Assertions relating to account balances;
 - (iii) Assertions relating to presentation and disclosure.
- (b) Audit of statements of financial position, validation procedures, applied in audit of:
 - (i) Tangible fixed assets.

- (ii) Inventory.
- (iii) Accounts receivable, prepayments & sundry debtors.
- (iv) Investments and market securities.
- (v) Bank and cash balances.
- (vi) Accounts Payable, accruals & sundry creditors provisions for liabilities.
- (vii) Debenture loans and bank borrowings.
- (viii) Capital and Reserves, Equity.
- (c) Audit of statements of profit or loss and other comprehensive Income account, validation procedures, applied in audit of:
 - (i) Revenues and expenses.
 - (ii) Sales/purchases.
 - (iii) Wages and salaries.
 - (iv) Other statements of profit or loss and other comprehensive income account items.
- (d) Understanding of IFRS/IAS 1 concerning above items.
- (e) Misstatements / aggregation / assessment / impact on audit reporting.

6. Audit Execution: Other Considerations

- (a) Sampling methods: decision to use, judgemental versus statistical (MUS) sampling methods for controls and financial statement items, sample selection and assessment.
- (b) Analytical review: nature and use (financial statements/data) throughout audit.
- (c) Going concern and its impact throughout the different phases of the audit.
- (d) Subsequent events.
- (e) Accounting estimates.
- (f) Commitments and contingencies.
- (g) Management representation letters.
- (h) Use of experts.

7. Audit Execution: Computer Information Systems (CIS) Auditing

- (a) Entity's computer systems and controls:
 - (i) Computer systems: general applications of e-commerce and impact on control and audit work, key computer processes, including data organisation and access, network and electronic transfers and transaction processing modes. Key computer system hardware and software, including xbrl.
 - (ii) Key computer system general controls: design and implementation, data integrity, privacy and security, system program changes, system access and disaster recovery plans.

(iii) Key computer system application controls: transactions input, processing and output, master file changes.

(b) Computer Assisted Audit Techniques (CAATS):

(i) Nature (computer software including expert systems and test data).

(ii) Purpose (testing, administration).

(iii) Application and related audit concerns (integrity and security of CAATs, audit planning considerations).

8. Audit Reporting

(a) Reporting on Audited Financial Statements.

(b) Key concepts: opinion, true and fair view, materiality, and statutory requirements.

(c) Basic elements of the Auditor's Report.

(d) Key Audit Matters.

(e) Modified Reports, differentiating between

(i) Matters that do not affect the auditor's opinion.

(ii) Matters that do affect the auditor's opinion.

(f) Circumstances giving rise to Modified Reports:

(i) Limitations on Scope.

(ii) Disagreements with management.

(g) Auditor's responsibility before and after the date of the Auditor's Report.

(h) Auditor's responsibility for other information in documents (e.g. Annual Report) containing audited financial statements.

➤ Assessment Strategy

Examination Approach

The skills examined include comprehension, detailed application, synthesis, evaluation, effective communication, the analysis of audit issues and the ability to propose appropriate solutions thereto. Students are required to attempt three questions that are scenario based. One of the compulsory questions is multi-choice examining a broad range of the syllabus. Students' competence is assessed over a range of issues and they are asked to show how elements of it interact and overlap. The questions seek to ascertain the students' knowledge of the practical application of the theoretical concepts studied.

Students are also required to demonstrate, in the context of the scenario presented, the ability to exercise professional judgment (including appropriate professional scepticism and consideration of legal and ethical issues) in drawing conclusions.

Examination Format

The examination is unseen, closed-book examination of 3 hours' 20 minutes in duration. Students are required to answer all questions in Section A and Only two questions in Section B. All questions are, split between practical application and theory.

Marks Allocation

Marks

Section A - Question 1 ,2 and 3 Compulsory questions (20 marks each)	60
Section B – Only two questions (20 marks each)	40
	Total 100

➤ Learning Resources

Core Texts

External Auditing and Assurance: An Irish Textbook 2nd Edition by **Martin Nolan and Christine Nangle** Revised/2016/ICAI/ ISBN-13: 978-1910374696

Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities /3rd Edition 2011 / IFAC / ISBN1-13: 978-1608150991 Published in two volumes freely available for download from:

Volume 1:

- ❖ <http://ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-1-3e.pdf>

Volume 2:

- ❖ <http://ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-2-3e.pdf>

Technical Material:

- ❖ Auditing and Quality Control Standards
 - (a) International Standards on Auditing (Ireland).
 - (b) ISQC (Ireland) Quality control for firms that perform audits and reviews of financial statements and related services engagements.
 - (c) These are available from the Irish Auditing and Accounting Supervisory Authority www.iaasa.ie
- ❖ Financial Accounting and Reporting Standards
 - (a) International Financial Reporting Standards (IFRSs) EU Endorsed are available from the European Commission on http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

- (b) The International Standards on Auditing Ireland are available from the Irish Auditing and Accounting Supervisory Authority www.iaasa.ie

❖ Ethical Standards

- (a) APB Ethical Standards (ESs) are available from the Auditing Practices Board website www.frc.org.uk/apb

- (b) CPA – Code of Ethics, available from the CPA website at www.cpaireland.ie

Supplementary Texts and Journals

Principles of External Auditing 4th ed / **Porter, Hatherly, Simon / Wiley** 2008 / ISBN-13: 978 0470974452

The Audit Process, Principles, Practice & Cases 6th ed/**Gray and Manson / Cengage** 2015 / ISBN-13: 978-1408081709

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Useful Websites

(as at date of publication)

www.cpaireland.ie– CPA Ireland.

www.iaasa.ie/ - Irish Auditing and Accounting Supervisory Authority.

www.ifac.org/auditing-assurance/ - International Auditing & Assurance Standards Board.

www.frc.org.uk/About-the-FRC/FRCstructure/Former-FRC-structure/AuditingPractices-Board.aspx -Auditing Practices Board.

www.ifac.org – The International Federation of Accountants.

www.ifrs.org/ - The International Financial Reporting Standards Foundation.

www.frc.org.uk/ - The Financial Reporting Council.

www.frc.org.uk/About-the-FRC/FRCstructure/Audit-and-Assurance-Council.aspx, FRC - Audit and Assurance Council.

www.frc.org.uk/About-the-FRC/FRCstructure/Accounting-Council.aspx,FRC Accounting Council.

www.frc.org.uk/About-the-FRC/FRCstructure/Conduct-Committee.aspx,FRC-Conduct Committee.

www.accountingnet.ie/ - Irish Accounting and Business Portal.

Level: Professional

Subject Title: Auditing (Sri Lanka)

Examination Duration: 3 Hours 20 minutes

Aim

This module will introduce students to the principles of auditing procedures, audit evaluation and planning, audit evidence, the procedures for the performance of an audit, and reporting framework. It will seek to stimulate critical analysis of the extent to which the purpose and principles of auditing are being realised in practice.

It aims to develop knowledge and understanding of the audit process and its application in the context of the external regulatory framework and for business control and development. It ensures that students are able to understand the basic concepts and techniques of providing auditing services according to the Companies Act of Sri Lanka and other standards. They are expected to be familiar with the relevant areas of the following Sri Lankan auditing practice statements, Auditing and accounting standards:

Auditing as an integral part of syllabus

Students are able to obtain an understanding of the nature, purpose principle and scope of external, internal audit and the concept of assurance as well as the differences between internal and external audit. The regulatory and professional framework within which auditors operate is explained, as are their rights, responsibilities and liabilities. In addition to demonstrating knowledge and understanding of the professional standards candidates are required to demonstrate the skills required to apply that knowledge in performing auditing and assurance tasks as certified public accountants in accordance with the Companies Act of Sri Lanka.

Auditing is an essential foundation subject for the subsequent study of Audit Practice and Assurance Services at Professional 2 Stage. It is also an essential component for the study of Advanced Corporate Reporting at Professional 2 Stage. In carrying out the audit of an entity's financial statements there is a critical need to identify the source, and test the treatment of financial statement items (period transactions and year-end balances) and disclosures, to ensure compliance with Sri Lankan GAAP. The subjects: Financial Accounting and Corporate Reporting will provide students with this necessary knowledge. Business Laws, Corporate Laws and Governance, Taxation and Information Systems will increase students' awareness of other matters that an auditor must consider in the audit process.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	

F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

The above table shows the linkages between Auditing and the subjects highlighted. The capabilities developed will be built upon in the study of the subjects highlighted above.

➤ Learning outcomes

On successful completion of this subject,

Students will be able to understand and describe the nature, purpose and scope of an audit and the fundamental concepts and principles of auditing. Demonstrate a basic understanding of the nature and purpose of the procedures carried out during an audit. Critically discuss the extent to which the auditing profession is successful in satisfying the requirements of its statutory and professional obligations.

They will be able to explain the concept of assurance, why assurance is needed and the need for assurance engagements to be carried out by appropriately qualified professionals. Students will acquire knowledge in how to select relevant methods of obtaining assurance evidence and draw conclusions from them.

In addition to demonstrating knowledge in audit and assurance tasks, candidates are required to demonstrate the skills required to apply that knowledge in performing auditing and assurance tasks as certified public accountants:

On completion of this paper, candidates should be able:

- To explain the nature, purpose and scope of audit and assurance engagements including the role of the external audit and to explain the nature of internal audit and to describe its role as part of overall performance management and its relationship with the external audit.
- To demonstrate an awareness of the regulatory and professional framework within which audits are undertaken.
- To demonstrate how the auditor obtains an understanding of the entity and its environment, assesses the risk of material misstatement (whether arising from fraud or other irregularities) and plans an audit of financial statements.
- To describe and evaluate information systems and internal controls to identify and communicate control risks and their potential consequences, making appropriate recommendations.
- To identify and describe the work and evidence required to meet the objectives of audit engagements and the application of the International Standards on Auditing.
- To evaluate findings, investigate inconsistencies, modify the work programme as necessary, review subsequent events, and justify and prepare appropriate reports for users within and external to the organisation, including recommendations to enhance business performance.

- To explain how the conclusions from audit work are reflected in different types of audit report, explain the elements of each type of report.
- To understand the importance of ethical behaviour of a professional and identify issues relating to integrity, objectivity, professional competence and due care, confidentiality and independence.

➤ Syllabus

1. Audit and Assurance Services

- (a) Concept of assurance
- (b) Element of an assurance engagement (the key areas of the assurance framework, including elements, objectives, scope, etc.)
- (c) Benefits of assurance engagement
- (d) Parties involved in assurance engagements
- (e) Acceptance and managing assurance and other engagements
- (f) Professional skepticism
- (g) Types of assurance engagement
- (h) Limitation of assurance engagement
- (i) Audit
- (j) Expectation gap
- (k) Conduct of an audit in accordance with SLAuSs

2. Audit Framework and Regulation

- (a) Nature of audit
 - (i) The development and changing nature of audit
 - (ii) The concept of audit and regulation
 - (iii) The objective and general principles of external audit engagements
 - (iv) Engagement acceptance and engagement letters
 - (v) The nature and development of audit and regulations
 - (vi) Planning
 - (vii) Audit strategy and audit plan
 - (viii) Entity and its environment
 - (ix) The concepts of accountability, stewardship and agency

- (x) The concepts of materiality, true and fair presentation and assurance
- (xi) Reporting as a means of communication to different users
- (xii) The level of assurance provided by audit and other review procedures

3. Statutory Audits

- (a) The nature of statutory audits
- (b) The regulatory environment within which statutory audits take place
- (c) The reasons and mechanisms for the regulation of auditors
- (d) The statutory regulations governing the appointment, removal and resignation of auditors
- (e) The types of opinion provided in statutory audits
- (f) The objectives and principle activities of statutory audit and assess its value (e.g. in assisting management to reduce risk and improve performance)
- (g) The limitations of statutory audits

4. The Regulatory Environment and Corporate Governance

- (a) The regulatory environment and corporate governance
- (b) The development and status of International Standards on Auditing
- (c) The relationship between International Standards on Auditing and national standards
- (d) The objective, relevance and importance of corporate governance
- (e) The need for auditors to communicate with those charged with governance
- (f) The provisions of national codes of corporate governance that is relevant to auditors
- (g) Explain good corporate governance requirements relating to directors' responsibilities (e.g. internal control) and the reporting responsibilities of auditors
- (h) The structure and roles of audit committees and discuss their benefits and limitations
- (i) The importance of internal control and risk management
- (j) The responsibilities of management and auditors for the design and operation of systems and controls.
- (k) Internal controls in place, in respect of the main business for, among others:
 - (i) Cash management and investment
 - (ii) Payroll
 - (iii) Order to receipt
 - (iv) Procurement to pay

- (v) PPE and inventory management
- (l) Importance of IT controls in an audit, including general controls and application controls.
- (m) Deficiencies in control activities.
- (n) Activities of a service organisation when a significant part of the IT process has been outsourced.

5. Professional Ethics and CPA's Code of Ethics and Conduct

- (a) Professional ethics and codes of conduct, their application to external audit and internal audit, responsibility for fraud and error
- (b) Describe and apply the fundamental principles of professional ethics of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour
- (c) Threats in complying with fundamental and ethical principles, including independence of auditors in an audit of financial statements
- (d) Safeguards to mitigate threats in complying with fundamental and ethical principles
- (e) Define and apply the conceptual framework
- (f) Familiar with and able to describe enforcement procedures of ICPA's Code of Ethics and Conduct
- (g) Key features of the system of professional ethics adopted by IFCA
- (h) Fundamental principles underlying the IFAC code of ethics
- (i) Importance of confidentiality and identifying the sources of risks of accidental disclosure of Information.
- (j) Prevention of the accidental disclosure of information.
- (k) Situations in which confidential information may be disclosed
- (l) Definition of independence and why those undertaking an assurance engagement are required to be independent of their clients.
- (m) The process by which an auditor obtains an audit engagement
- (n) The importance of engagement letters and their contents
- (o) Matters that should be communicated through an engagement letter
- (p) Different types of audit documentation which should be maintained
- (q) Adequacy of audit documentation in a given case

6. Internal Control System

- (a) Internal Audit and Internal Review
 - (i) The role of internal audit and internal review and their relationship with:
 - Corporate governance

- Risk management
 - Organisational control
 - Corporate objectives
- (ii) Scope and functions of internal audit, the nature and extent of internal audit assignments
Outsourced internal audit functions
- (iii) The nature and extent of internal review assignments including operational, systems, value for money and financial reviews
- (b) Internal Audit and Corporate Governance
- (i) The factors to be taken into account when assessing the need for internal audit,
- (ii) The elements of best practice in the structure and operations of internal audit with reference to appropriate international codes of corporate governance.
- (c) Differences Between External and Internal Audit
- (i) The role of external and internal audit in relation to audit planning and the collection of audit evidence,
- (ii) The types of report provided by internal and external audit.
- (d) The scope of the Internal Audit Function
- (i) The scope of internal audit and the limitations of the internal audit function
- (ii) The types of audit report provided in internal audit assignments
- (iii) The responsibilities of internal and external auditors for the prevention and detection of fraud and error.
- (e) Outsourcing the Internal Audit Department: The Advantages and Disadvantages of Outsourcing Internal Audit

7. Planning and Risk Assessment

- (a) Objective and General Principles
- (i) Define risk assessment procedures
- (ii) Activities connected with setting the overall audit strategy.
- (iii) Objectives of audit and Assurance assignments, the relevance of stakeholder dialogue
- (iv) Communicating the objectives of audit and assurance assignments
- (v) The need to plan and perform audits with an attitude of professional skepticism

- (vi) Engagement risks affecting the audit of an entity and the components of audit risk
- (vii) Compare and contrast risk based, procedural and other approaches to audit work
- (viii) The importance of risk analysis and the use of information technology in risk analysis.
- (b) Understanding the Entity and Knowledge of the Business: Describe how auditors obtain an initial understanding of the entity and knowledge of its business environment.
- (c) Assessing the Risks of Material Misstatement and Fraud
 - (i) The concepts of materiality and tolerable error
 - (ii) Compute indicative materiality levels from financial information
 - (iii) The effect of fraud and misstatements on the audit strategy and extent of audit work.
- (d) Analytical Procedures
 - (i) The nature and purpose of analytical procedures in planning
 - (ii) Compute and interpret key ratios used in analytical procedures

8. Planning and Audit

- (a) The need for planning an audit and the contents of the overall audit strategy and audit plan
- (b) Describe the relationship between the overall audit strategy and the audit plan, develop and document an audit plan
- (c) The difference between interim and final audit.
 - (i) Audit Documentation
 - Design and documentation of the plan and work program
 - The need for and the importance of audit documentation
 - Prepare working papers and supporting documentation
 - The procedures to ensure safe custody and retention of working papers.
 - (ii) The work of others
 - Specific audit requirements in using the work of others (SLAuS 610)
 - The extent to which auditors are able to rely on the work of experts
 - The extent to which external auditors are able to rely on the work of internal audit
 - The audit considerations relating to entities using service organizations
 - Reasons why auditors rely on the work of others
 - The extent to which reference to the work of others can be made in audit reports

9. Internal Control

- (a) The following transaction cycles and account balances are relevant to internal control functions: revenue, purchases, inventory, revenue and capital expenditure, payroll and bank and cash.

(i) Internal Control Systems

- Definition of internal control
- Objectives of internal control systems
- Fundamentals of effective internal control system
- Why an auditor needs to obtain an understanding of internal control activities relevant to the audit
- The key components of an internal control system
- The important elements of internal control including the control environment and management control activities
- The difference between tests of control and substantive procedures.

(ii) The use of Internal Control Systems by Auditors

- Inherent weaknesses in internal control systems
- The importance of internal control to auditors
- How auditors identify weaknesses in internal control systems and how those weaknesses limit the extent of auditors' reliance on those systems.

(iii) Transaction Cycles

- Internal control procedures and control activities
- Computer system controls

(iv) Tests of Control

- Tests of control suitable for inclusion in audit working papers
- Application controls and general IT controls.

(v) The Evaluation of Internal Control Components

- The evaluation of internal control systems by auditors including internal control checklists and tests of control
- The limitations of internal control components in the context of fraud and error

- The need to modify the audit strategy and audit plan following the results of tests of control
 - Management's risk assessment process with reference to internal control components
- (vi) Communication with Management: Discuss and provide examples of how the reporting of Internal Control weaknesses and recommendations to overcome those weaknesses are provided to Management.
- (vii) Internal Control in a Computerised Environment (see 9.4)
- The effect of computer processing on the audit function
 - The effect of IT on Internal Control
 - Controls in an IT environment
 - Audit considerations in an IT environment
 - Audit procedures

10. Audit Procedures

- (a) Define audit evidence
- (b) Factors that affect auditors' judgment as to what constitutes sufficient appropriate evidence
- (c) Different audit procedures which can be used as audit evidence
- (d) Use of external confirmation in gathering audit evidence.
- (i) Sufficient Appropriate Audit Evidence
- Describe the concepts and meanings of sufficient and appropriate audit evidence and the nature, timing and extent of audit procedures.
 - The difference between test of controls and substantive procedures.
 - Different audit procedures used to gather audit evidence.
 - The relevance and reliability of information to be used as audit evidence
- (ii) Use of Analytical Procedures at different stages of the Audit
- (iii) Responsibility of an Auditor in the Verification of Physical Inventor
- (iv) Meaning of audit sampling and different methods used for selecting samples in audit sampling
- (v) Related Party Transactions (related parties SLAuS 550)

- How related party transactions can affect the true and fair view of the financial statements Procedures that should be performed to reduce the risk arising from related party transactions

(vi) Subsequent Events

- Procedures required to identify events occurring between the date of financial statements and the date of the audit report.

(vii) Going concern: procedures required to evaluate the validity of the going concern assumption

11. The use of assertions by auditors

(a) Financial statement assertions: assets, liabilities, income and expenditure, including accounting estimates (the general principles governing an audit of financial statements, such as professional scepticism, professional judgments, etc.)

(b) Assertions reported on and opinions provided in review assignments,

(c) Describe the assertions contained in the financial statements,

(d) The principles and objectives of transaction testing, account balance testing and disclosure testing,

(e) The use of assertions in obtaining audit evidences

(i) Audit procedures

- Analytical procedures as substantive evidence,
- The sources and relative merits of the different types of evidence available,
- How analytical procedures are used as substantive procedures,
- The problems associated with the audit and review of accounting estimates,
- Why smaller entities may have different control environments and describe the types of evidence likely to be available in smaller entities,
- The quality of evidence obtained.

(ii) External confirmation and written representation

(iii) The audit of specific items

- The purpose of substantive procedures in relation to financial statement assertions,
- The substantive procedures used in auditing each balance and tabulate those substantive procedures in a work program.

Receivables:

- ❖ Direct confirmation of accounts receivable,

- ❖ Other evidence in relation to receivables and prepayments, and,
- ❖ The related income statement entries.

Inventory:

- ❖ Inventory counting procedures in relation to year-end and continuous inventory systems,
- ❖ Cut-off,
- ❖ Auditor's attendance at inventory counting,
- ❖ Direct confirmation of inventory held by third parties,
- ❖ Other evidence in relation to inventory.

Payables and accruals:

- ❖ Supplier statement reconciliations and direct confirmation of accounts payable,
- ❖ Obtain evidence in relation to payables and accruals, and
- ❖ The related income statement entries.

Bank and cash:

- ❖ Bank confirmation reports used in obtaining evidence in relation to bank and cash,
- ❖ Other evidence in relation to bank and cash, and the related income statement entries.

Tangible non-current assets and long-term liabilities:

- ❖ Evidence in relation to non-current assets,
- ❖ Non-current liabilities and
- ❖ The related income statement entries.

(iv) Audit sampling and other means of testing

- Audit sampling and the need for sampling,
- The differences between statistical and non-statistical sampling,
- The application of the basic principles of statistical sampling and other selective testing procedures,
- The results of statistical sampling, including consideration of whether additional testing is required.

(v) Computer-assisted audit techniques

- The use of computer-assisted audit techniques in the context of an audit,
- Relevant examples of the use of test data and audit software for the transaction cycles and balances mentioned in sub-capability
- The use of computers in relation to the administration of the audit.

(vi) Not-for-profit organization

- Use of audit techniques for small not-for-profit organizations,
- The audit of small not-for-profit organisations differs from the audit of for-profit organizations.

(vii) Auditing accounting estimates (SLAuS 540)

(viii) Audit of group financial statements (SLAuS 600)

(ix) Service organisations (SLAuS 402)

(x) The special considerations in the audit of small entities (SLAPS 1005)

12. Review

(a) Subsequent events (SLAuS 560)

- (i) The purpose of a subsequent events review,
- (ii) The procedures to be undertaken in performing a subsequent events review.

13. Going concern (SLAuS 570)

- (a) The significance of the concept of going concern,
- (b) The importance of and the need for going concern reviews,
- (c) The respective responsibilities of auditors and management regarding going concern,
- (d) The procedures to be applied in performing going concern reviews,
- (e) The disclosure requirements in relation to going concern issues,
- (f) The reporting implications of the findings of going concern reviews.

14. Management representations

- (a) The purpose of and procedure for obtaining management representations,
- (b) The quality and reliability of management representations as audit evidence,
- (c) The circumstances where management representations are necessary and the matters on which representations are commonly obtained.

15. Audit finalisation and the final review

- (a) The importance of the overall review of evidence obtained,
- (b) The significance of unadjusted differences.

16. Reporting

(a) Audit reports

- (i) Format and content of unmodified and modified external audit reports on financial statements,
- (ii) Format and content of review reports and other reports on assignment objectives,
- (iii) Recommendations for the enhancement of business performance.
- (iv) A general purpose and special purpose audit report
- (v) Fair presentation and compliance framework

(b) Reports to management

- (i) Asses internal control and system weaknesses and their potential effects and make appropriate recommendations to management.

(c) Internal audit reports

- (ii) The format and content of internal audit review reports and other reports dealing with the enhancement of performance,
- (iii) The process for producing an internal audit report.

(d) Modified audit report (SLAuS 705)

- (i) Type of modified opinion provided under SLAuS 705.
- (ii) Explain non-complex audit engagement and propose appropriate modifications, with sufficient reasons

➤ Financial Reporting and Auditing Standards:

See Examinable Material Guideline for details of the Financial Reporting and Auditing Standards etc. applicable to this examination. It is important to note that the International Standards in Auditing (ISAs) and the International Financial Reporting Standards (IFRs) are examinable at this stage.

Demonstrate an awareness and understanding of the process by which standards and professional requirements are established for audit, assurance, and other services performed by CPAs, including the role of standard-setting bodies within Sri Lanka and those bodies with the authority to promulgate international standards. The emphasis is on students' understanding the purpose of procedures and their applications.

➤ Accounting Standards:

Framework for Preparation and Presentation of Financial Statements

- SLFRS 1 First-time Adoption of International financial reporting
- SLFRS 2 Share-based Payment
- SLFRS 3 Business Combinations
- SLFRS 4 Insurance Contracts
- SLFRS 5 Non-current Assets Held for Sale a Discontinued Operations
- SLFRS 6 Exploration for the Evaluation of Mineral Resources
- SLFRS 7 Financial Instrument : Disclosure
- SLFRS 8 Operating Segments
- LKAS 1 Presentation of Financial Statements
- LKAS 2 Inventories
- LKAS 7 Statement of Cash Flows
- LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- LKAS 10 Events after the Reporting Period
- LKAS 11 Construction Contracts
- LKAS 12 Income Taxes
- LKAS 16 Property, Plant and Equipment
- LKAS 17 Leases
- LKAS 18 Revenue
- LKAS 19 Employee Benefits
- LKAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- LKAS 21 The Effects of Change in Foreign Exchange Rates
- LKAS 23 Borrowing Costs
- LKAS 24 Related Party Disclosures
- LKAS 26 Accounting and Reporting by Retirement & Specific Benefit Plans

- LKAS 27 Consolidated and Separate Financial Statements
- LKAS 28 Investments in Associates
- LKAS 29 Financial reporting in Hyperinflationary Economics
- LKAS 31 Interests in Joint Ventures
- LKAS 32 Financial Instruments : Presentation
- LKAS 33 Earnings per Share
- LKAS 34 Interim Financial Reporting
- LKAS 36 Impairment of Assets
- LKAS 37 Provisions, Contingent Liabilities and Contingent Assets
- LKAS 38 Intangible Assets
- LKAS 39 Financial Instruments: Recognition and Measurement
- LKAS 40 Investment Property
- LKAS 41 Agriculture

➤ Revised Auditing Standards Applicable from 2012

200 – 299 General Principles and Responsibilities

- SLAuS 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Sri Lanka Auditing Standards
- SLAuS 210 Agreeing the Terms of Audit Engagements
- SLAuS 220 Quality Control for an Audit of Financial Statements
- SLAuS 230 Audit Documentation
- SLAuS 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
- SLAuS 250 Consideration of Laws and Regulations in an Audit of Financial Statement
- SLAuS 260 Communication with Those Charged with Governance
- SLAuS 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management

300-499 Risk Assessment and Response to Assessed Risks

- SLAuS 300 Planning an Audit of Financial Statements
- SLAuS 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

- SLAuS 320 Materiality in Planning and Performing an Audit
- SLAuS 330 The Auditor's Responses to Assessed Risks
- SLAuS 402 Audit Considerations Relating to an Entity Using a Service Organization
- SLAuS 450 Evaluation of Misstatements Identified during the Audit

500-599 Audit Evidence

- SLAuS 500 Audit Evidence
- SLAuS 501 Audit Evidence—Specific Considerations for Selected Items
- SLAuS 505 External Confirmations
- SLAuS 510 Initial Audit Engagements—Opening Balances
- SLAuS 520 Analytical Procedures
- SLAuS 530 Audit Sampling
- SLAuS 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
- SLAuS 550 Related Parties
- SLAuS 560 Subsequent Events
- SLAuS 570 Going Concern
- SLAuS 580 Written Representations

600-699 Using Work of Others

- SLAuS 600 Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)
- SLAuS 610 Using the Work of Internal Auditors
- SLAuS 620 Using the Work of an Auditor's Expert

700-799 Audit Conclusions and Reporting

- SLAuS 700 Forming an Opinion and Reporting on Financial Statements
- SLAuS 705 Modifications to the Opinion in the Independent Auditor's Report
- SLAuS 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
- SLAuS 710 Comparative Information—Corresponding Figures and Comparative

- SLAuS 720 The Auditor's Responsibilities Relating to Other Information in Documents
- Containing Audited Financial Statements

800-899 Specialised Areas

- SLAuS 800 Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- SLAuS 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
- SLAuS 810 Engagements to Report on Summary Financial Statements

Sri Lanka Auditing Practice Statements (SLAPSSs)

- 1000 Inter-Bank Confirmation Procedures
- 1004 The Relationship Between Banking Supervisors and Banks' External Auditors
- 1005 The Special Consideration in the Audit of Small Entities
- 1006 Audits of the Financial Statements of Banks
- 1010 The Consideration of Environmental Matters in the Audit of Financial Statements
- 1012 Auditing Derivative Financial Instruments
- 1013 Electronic Commerce-Effect on the Audit of Financial Statements
- 1014 Reporting by Auditors on Compliance with International Financial Reporting Standards

Sri Lanka Standards on Review Engagements (SLSREs)

- 2400 Engagements to Review Financial Statements

Sri Lanka Standards on Assurance Engagements (SLSAEs)

- 3000 Assurance Engagements Other than Audit or Reviews of Historical Financial Information
- 3400 The Examination of Prospective Financial Information

Sri Lanka Standards on Related Services (SLSRSSs)

- 4400 Engagement to Perform Agreed-Upon Procedures Regarding Financial Information
- 4410 Engagements to Compile Financial Statements

The Institute of Certified Public Accountants offers an alternative paper: Audit & Assurance (International) Candidates who wish to take International paper are expected to be familiar with the relevant areas of the following International Auditing Standards
Respective responsibilities

- ISA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing
- ISA 210 Agreeing the Terms of Audit Engagements
- ISA 220 Quality Control for an Audit of Financial Statements
- ISA 230 Audit Documentation
- ISA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
- ISA 250 Consideration of Laws and Regulations in an Audit of Financial Statements
- ISA 260 Communication with Those Charged with Governance
- ISA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management

Audit planning

- ISA 300 Planning an Audit of Financial Statements
- ISA 315 Identifying and assessing the risks of material misstatement through understanding the entity and its environment
- ISA 320 Materiality in planning and performing an audit
- ISA 330 The auditor's responses to assessed risks

Internal Control

- ISA 402 Audit Considerations Relating to an Entity Using a Service Organization
- ISA 450 Evaluation of Misstatements Identified during the Audit

Audit evidence

- ISA 500 Audit Evidence
- ISA 501 Audit Evidence – Additional Considerations for Specific Items
- ISA 505 External Confirmations
- ISA 510 Initial Engagements - Opening Balances
- ISA 520 Analytical Procedures
- ISA 530 Audit Sampling and Other Means of Testing
- ISA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures

- ISA 550 Related Parties
- ISA 560 Subsequent Events
- ISA 570 Going Concern
- ISA 580 Written Representations

Using work of other experts

- ISA 600 Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)
- ISA 610 Using the Work of Internal Auditors
- ISA 620 Using the Work of an Auditor's Expert

Audit conclusions and Audit report

- ISA 700 Forming an Opinion and Reporting on Financial Statements
- ISA 705 Modifications to the Opinion in the Independent Auditor's Report
- ISA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
- ISA 710 Comparative Information - Corresponding Figures and Comparative Financial Statements
- ISA 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

Specialized areas

- ISA 800 Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- ISA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
- ISA 810 Engagements to Report on Summary Financial Statements

International Standard on Quality Control (ISQC) 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements

➤ Assessment Strategy

Examination Approach

The skills examined include comprehension, detailed application, synthesis, evaluation, effective communication, the analysis of audit issues and the ability to propose appropriate solutions thereto. All questions are scenario-based. The compulsory questions examine the students' competence over a range of issues and they are asked to show how elements of the syllabus interact and overlap. The remaining questions seek to ascertain the students' knowledge of the practical application of the theoretical concepts studied.

Students are also required to demonstrate, in the context of the scenario presented, the ability to exercise professional judgment (including appropriate professional scepticism and consideration of legal and ethical issues) in drawing conclusions

Technical and Learning Strategies

Modes of delivery of the module will be one and a half hour lecture and one hour tutorial/ seminar. The focus of the seminars will be (a) on discussion of principles and (b) on practical problems which illustrate the principles explained in the lectures. Students will be encouraged to work in groups and participate in the analysis of problems; the emphasis will be on critical and analytical thinking.

Examination Format

The examination is unseen, closed-book examination of 3 hours' 20 minutes in duration. Students are required to answer all questions in Section A and Only two questions in Section B. All questions are, split between practical application and theory.

Marks Allocation

Marks

Section A - Question 1 ,2 and 3 Compulsory questions (20 marks each)	60
Section B – Only two questions (20 marks each)	40
	Total 100

➤ Learning Resources

Core Texts

Companies Act of Sri Lanka & other Government and ICASL publications relating to audit and assurance

Cosserat, G.W, Modern Auditing, (Second edition), John Wiley and Sons Ltd. (2004)

Gray, S. Manson, The Audit Process, Van Nostrand Reinhold

A H Millichamp, Auditing, D P Publications

M J Pratt, Auditing, Pitman

External Auditing and Assurance: An Irish Textbook 2nd Edition by Martin Nolan and Christine Nangle /ICAI/ ISBN-13: 978 1908199461

Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities /3rd Edition 2011 / IFAC / ISBN1-13: 978-1608150991 Published in two volumes freely available for download from:

Volume 1:

❖ <http://ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-1-3e.pdf>

Volume 2:

- ❖ <http://ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-2-3e.pdf>

Technical Material:

- ❖ Auditing and Quality Control Standards
 - a) International Standards on Auditing (Sri Lanka) (ISAs)
 - b) International Standard on Quality Control (UK and Ireland) (ISQC 1)
 - c) These are available from the Auditing Practices Board (APB) web site at www.frc.org.uk/apb
- ❖ Financial Accounting and Reporting Standards
 - a) International Financial Reporting Standards (IFRSs) EU Endorsed are available from the European Commission on http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.
 - a) The International Auditing Standards (IASs) are available from the International Accounting Standards Board website at www.iasb.org
- ❖ Ethical Standards
 - a) APB Ethical Standards (ESs) are available from the Auditing Practices Board website www.frc.org.uk/apb
 - b) CPA – Code of Ethics, available from the CPA website at www.cpaireland.ie

Supplementary Texts and Journals

Principles of External Auditing 4th ed / **Porter, Hatherly, Simon** / **Wiley** 2008 / ISBN-13: 978 0470974452

The Audit Process, Principles, Practice & Cases 6th ed / **Gray and Manson** / Cengage 2015 / ISBN-13: 978-1408081709

Accountancy Plus

CPA Students' e Bulletin

Useful Websites

(as at date of publication)

www.cpaireland.ie – CPA Ireland.

www.iaasa.ie/ - Irish Auditing and Accounting Supervisory Authority.

www.ifac.org/auditing-assurance/ - International Auditing & Assurance Standards Board

www.frc.org.uk/About-the-FRC/FRC-structure/Former-FRC-structure/Auditing-Practices-Board.aspx - Auditing Practices Board

www.ifac.org – The International Federation of Accountants.

www.ifrs.org/ - The International Financial Reporting Standards Foundation.

www.frc.org.uk/ - The Financial Reporting Council.

[www.frc.org.uk/About-the-FRC/FRC structure/Audit-and-Assurance-Council.aspx](http://www.frc.org.uk/About-the-FRC/FRC%20structure/Audit-and-Assurance-Council.aspx), FRC - Audit and Assurance Council

[www.frc.org.uk/About-the-FRC/FRC structure/Accounting-Council.aspx](http://www.frc.org.uk/About-the-FRC/FRC%20structure/Accounting-Council.aspx), FRC Accounting Council

[www.frc.org.uk/About-the-FRC/FRC structure/Conduct-Committee.aspx](http://www.frc.org.uk/About-the-FRC/FRC%20structure/Conduct-Committee.aspx), FRC-Conduct Committee

There are a number of sources from which you can obtain a series of materials written for Accountancy Professional examinations. These are listed below:

Foulks Lynch – Contact number: +44 (0)20 8831 9990, Website: www.foulkslynch.com

Accountancy Tuition Centre (ATC), International, Contact number: +44 (0)141 880 6469. Website: www.ptc-global.com

BPP Contact number: +44 (0)20 8740 2211/20 87402222 Website: www.bpp.com

The Financial Training Company, Contact number: +44 (0)174 785 4302.
Website: www.financial-training.com

Kaplan Publishing Contact number: +44(0)118 989 0629 Website:
www.kaplanpublishing.co.SL and UK

International Financial Publishing Limited Contact number: +44 (0)1344 751674 Website:
www.ifpbooks.com

Wider reading is also desirable, especially regular study of relevant articles in Accountancy and Finance journals and quality daily newspapers.

Level : Professional

Subject Title: Corporate Laws and Governance

Examination Duration: 3 Hours 10 minutes

Aim

This subject aims to ensure that students understand the theory and application of key aspects of business and commercial law to business organisations and recognise issues that require the advice of a legal professional. In addition, they must comprehend, apply and advise on the regulatory and governance requirements applicable to business organisations.

Corporate Laws and Governance as an integral part of syllabus

The legal principles learnt in this subject will be relevant to students throughout their professional accountancy studies. In particular this syllabus is an essential component for the study of Corporate Reporting, Managerial Finance, Auditing, Advanced Corporate Reporting, Strategic Corporate Finance and Audit Practice & Assurance Services, Strategic Performance Management.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

The above table shows the linkages between Corporate Laws and Governance and the subjects highlighted. The capabilities developed will be built upon in the study of the subjects highlighted above.

➤ Learning outcomes

On successful completion of this subject, students should be able to

- Interpret, discuss and apply aspects of the law relating to the structuring of business entities and their commercial relationships.
- Discuss the role of company officers, including directors, the auditor and the company secretary, and appreciate the various classifications of company capital and the rules governing its maintenance.
- Comprehend the nature of corporate offences and their sanctions.
- Discuss the appointment, rights and duties of receivers, liquidators and examiners and outline the effects of receiverships, liquidations or examinerships on key stakeholders including; shareholders, directors, employees and creditors.
- Distinguish between the different types of credit and security, their legal consequences and the formalities applicable to these.
- Advise on and lead best practice in governance.
- Interpret and discuss the law of agency, and distinguish between principal and agent and their rights and duties.
- Discuss and apply the main aspects of employment law and be able to refer to and interpret relevant sources.
- Recognise when more specialist knowledge is required and the source of such expertise.

➤ Syllabus

1. Company Law

(a) Introduction

- (i) Companies and other forms of business organisation, the development of company law in Ireland, Irish company law and E.U. law.

(b) Company Formation

- (i) Review of the various classifications of companies, including a company limited by shares, a designated activity company, a public limited company, guarantee companies and unlimited companies. How a company is formed, the Constitutional Document - its contents and how it can be altered, the legal effect of the Constitutional Document, the promoters and pre-incorporation contracts.
- (ii) Separate legal personality of the company, lifting the veil of incorporation, the ultra virus rule and designated activity and public limited companies, liability of a company in respect to unauthorised or irregular transactions in both tort and criminal law, the doctrine of ostensible or apparent authority and the rule in Royal British Bank v. Turquand.

(c) Corporate Finance

- (i) Floation of a public limited company, application for and allotment of shares, the capital of the company – types of capital and shares, the maintenance of capital, the alteration and reduction of capital.
- (ii) Nature of a share, rights of the shareholder, duties of the shareholder, different classes of shares, variation of rights of classes of shareholders, share certificates and warrants.
- (iii) Calls, liens, forfeiture and surrender of shares.
- (iv) Transfer and transmission of shares.
- (v) Shareholder agreements.
- (vi) Membership of the company – Becoming a Member, Capacity to be a Member, Register of Members, Disclosure of interests in shares.
- (vii) Dividends and distribution of profits.
- (viii) Borrowing by the company – borrowing powers of companies, debentures and floating charges, registration crystallisation and invalidity of charges.

(d) Company Officers

- (i) Formalities; types of directors appointment, removal, eligibility, resignation.
- (ii) Directors Duties; under the Companies Act 2014.
- (iii) Corporate Offences; fraudulent trading, reckless trading, insider dealing and money laundering.
- (iv) Liability; restriction and disqualification orders.
- (v) Company Secretary; qualifications appointment, powers and duties.
- (vi) Company Auditor; appointment, removal powers and duties - the role of IAASA.
- (vii) Internal Management of Companies
 - Meetings of the Company.
 - Majority and minority rights, the rule in Foss v. Harbottle and its exceptions, Oppression and the Companies Act 2014.
 - Investigation of a company's affairs liability arising from investigations.

2. Examinership , Receivership and Liquidations

- (a) Charges and crystallization of charges.
- (b) Protection of investors and creditors.
- (c) Appointment, rights and duties and powers of an Examiner.
- (d) Examinership process, report, schemes of arrangement.
- (e) Appointment, rights, duties and powers of a Receiver.

- (f) Appointment, rights and duties of a Liquidator.
- (g) Types of winding up, compulsory winding up, voluntary winding up the distinction between members and creditors voluntary liquidations.
- (h) Effects of examinerships, receiverships or liquidations on shareholders, directors and employees - as well as potential liability.
- (i) Order of payment of debts and charges on liquidation.
- (j) Accounts of an Examiner, Receiver and Liquidator.

3. Commercial Credit and Security

- (a) Types of credit – vendor credit, lender credit, fixed term and revolving credit.
- (b) Types of security – real security, possessory security interests, pledges, liens, non-possessory security interests, mortgages, charges, personal security, guarantees, indemnities, letters of credit, performance guarantees, letters of comfort, quasi-security, retention of title, bills of exchange, set-off agreements, use of assets as quasi-security
- (c) Formalities and registration of security interests, Bills of Sale Acts, Companies Acts.

4. Corporate Governance

- (a) Definition(s) of Corporate Governance.
- (b) Agency Theory – potential conflicts of interest.
- (c) The role of the board – board structures, holding board meetings, importance of agendas and meetings, accountability of boards. Directors' responsibility for Internal Control.
- (d) Remuneration, transparency and accountability – the design of incentive compatible contracts, management incentives, role of remuneration committees, legal and stock exchange requirements, recognition and remuneration systems, disclosure requirements.
- (e) Developing and supporting a compliance culture – directors' compliance statements, role of the audit committee, role of non-executive board members.
- (f) Corporate Regulation in Ireland, the objectives and functions of:
 - (i) The Companies Registration Office (CRO).
 - Administration of the company the directors, the secretary, the annual return, accounts and audit, mergers, arrangements, reconstructions and takeovers.
 - (ii) Office of the Director of Corporate Enforcement (ODCE).
 - (iii) Irish Stock Exchange (ISE).
 - (iv) The Financial Regulator.
 - (v) Irish Auditing and Accounting Supervisory Authority (IAASA).
- (g) UK Corporate Governance Code and related FRC/ ISE guides. Risk Management - Steps in developing a risk management strategy, Governance Code guidance, risk management activities.
- (h) Sarbanes Oxley Act – objectives, provisions and requirements and impact.

- (i) Emerging issues and developments in Corporate Governance.

5. Law of Agency

- (a) Introduction – nature and consequences of agency, identifying agents, types of agent, agency distinguished.
- (b) Authority and power of company officers under the Law of agency.
- (c) Principal and agent relations.

6. Law of Employment

- (a) Contract of employment, contract of service and contract for services.
- (b) Formation of the contract.
- (c) Terms of the contract.
- (d) Rights and duties of the employee.
- (e) Duties and rights of the employer.
- (f) Termination, unfair, constructive and wrongful dismissal, redundancy.
- (g) Maternity leave, Paternity leave, Adoptive leave, Parental leave, Force majeure leave – rights and entitlements.

➤ Assessment Strategy

Examination Approach

Students are expected to demonstrate a detailed critical understanding of, and the ability to apply, the legal and governance principles and concepts studied. They are required to analyse practical situations and apply the correct legal and governance principles, supporting their answers with relevant case law, statutory provisions or best practice guidelines, as appropriate. Students are also expected to demonstrate clear logical thinking, excellent written communication skills and the ability to integrate learning from this and other syllabi.

Examination Format

The assessment is by an unseen, closed book examination of 3 hours' 10 minutes in duration. The paper is divided into two sections. In Section A students are required to answer 3 (Questions 1,2 and either 3 or 4). In Section B (Corporate Governance) students are required to answer one question from two. In summary, students are required to answer a total of 4 questions out of 6.

Marks Allocation

Marks

Section A

Question 1 and 2, compulsory (25 Marks each)	50
Questions 3 and 4, answer either, but not both	20

Section B

Questions 5 and 6, answer either, but not both	30
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Total 100

➤ Learning Resources

Core Texts

Keane / Company Law, 5th revised edition / Bloomsbury 2016 / ISBN-13: 978-1780435428.

Courtney / Guide to the Companies Act 2014, 1st ed/ Bloomsbury Professional / ISBN-13: 978-1780438344 / **White** / Commercial Law / Wiley and Sons 2nd ed 2012 / ISBN-13: 978-1858006321.

Forde / Commercial Law, 3rd edition / Tottel 2005/ ISBN-10: 1845922034.

MacDonnell / An Introduction to Business Law / CAI 2015 /

Governance Risk and Ethics / BPP Manual ACCA P1 / ISBN-13: 978-1472744272

Thuillier/Company Law in Ireland/2nd edition/Clarus Press/2015/ ISBN-13: 978-1905536757

Shareholders Rights and Remedies / **Karole Cuddily** /Bloomsbury Professional 2016 1st ed / ISBN-13: 978-1780430188

Companies Act 2014 / **Thomas Courtney and Lyndon McCann** / Bloomsbury Professional 2015 / ISBN-13: 978-1780438559

Manuals

Griffith College CPA P1 Corporate Laws and Governance Latest edition.

Supplementary Texts and Journals

Office of the Director of Corporate Enforcement / Books 1 to 7 (setting out the principal duties and powers of companies, company directors, company secretaries, members and shareholders, auditors, creditors, liquidators, receivers and examiners), free to download from: www.odce.ie/publications/company-law-guidance/informationbooks.aspx

Regan / Employment Law in Ireland 2nd ed/ Bloomsbury/ 2015 / ISBN-13: 9781847663764

Forde / Employment Law / Thomson Round Hall 2009 / 3rd ed/ ISBN-13: 978-1858005522

Solomon / Corporate Governance & Accountability / Wiley Publishers, 4th edition 2014 / ISBN-13: 978-1118449103

Monks and Minow / Corporate Governance / Wiley / 5th. Edition / 2011 / ISBN-13: 978-0470972595

Christine Mallin / Corporate Governance / Oxford University Press/ 4th ed/ 2012 / ISBN-13: 9780199644667

FRC Governance Guidance on Audit Committees www.frc.org.uk/OurWork/Publications/Corporate-Governance/uk-Corporate-Governance-Code-2014.pdf

Guidance on Risk Management, Internal Control and Related Financial and Business Reporting:
www.frc.org.uk/Our-Work/Publications/Corporate-Governance/Guidance-on-Risk-Management-Internal-Control.pdf

B.Tricker / Corporate Governance: Principles, Policies, Practices, 2nd edition / (2012) Oxford University Press/ ISBN-13: 978- 0199607969

AccountancyPlus.

CPA Students' eBulletin.

Useful Websites

(as at date of publication)

www.ise.ie - Irish Stock Exchange.

www.irishstatutebook.ie - Irish Statute Book – Office of the Attorney General.

www.cro.ie - Companies Registration Office.

www.odce.ie - Office of the Director of Corporate Enforcement.

www.clrg.org - Company Law Review Group.

www.lawreform.ie - The Law Reform Commission.

www.courts.ie - Irish Courts Service.

www.cpaireland.ie - CPA Ireland.

www.frc.org.uk - Financial Reporting Council.

www.frc.org.uk/About-the-FRC/FRCstructure/Former-FRC-structure/Board.aspx - Professional Oversight Board. Professional Oversight Board.

www.ifac.org/ - International Federation of Accountants.

www.iaasa.ie - Irish Auditing & Accounting Supervisory Authority.

www.auditcommitteeinstitute.ie - Audit Committee Institute Ireland.

www.smurfitschool.ie/researchandfaculty/researchcentres/ centre for corporate governance/
Institute of Directors Centre for Corporate Governance.

www.sec.gov/about/laws/soa2002.pdf Sarbanes-Oxley Act of 2002.

www.ifsra.ie - The Irish Financial Services Regulatory Authority.

www.irishtakeoverpanel.ie - The Irish Takeover Panel.

www.iodireland.ie/ - The Institute of Directors in Ireland.

www.iaim.ie - Irish Association of Investment Managers.

www.icsa chartered secretaries.ie/ - The Institute of Chartered Secretaries & Administrators.

www.oecd.org/daf/ca/corporategovernanceprinciples/31557724.pdf-OECD Principles of Corporate Governance.

Level : Professional

Subject Title: Managerial Finance

Examination Duration: 3 Hours 10 minutes

Aim

The aim of this subject is to ensure that students develop a critical understanding of the nature and scope of financial management. They should be able to assess funding requirements, calculate the cost of the available sources of finance, and advise on the optimum financing structure for an entity. Students should be able to evaluate the role and application of corporate planning and budgetary control theory and techniques. They are also expected to demonstrate excellent written communication skills and the ability to integrate learning of this and other subjects.

Managerial Finance as an integral part of syllabus

Managerial Finance develops students' knowledge and skills with respect of the financial management of organisations and builds on the Formation 2 Stage Management Accounting syllabus. This subject is an essential underpinning for Strategic Corporate Finance, Strategic Performance Management and Strategy & Leadership at Professional 2 Stage.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

The above table shows the linkages between Managerial Finance and the subjects highlighted. The capabilities developed will be built upon in the study of the subjects highlighted above.

➤ Learning outcomes

On successful completion of this subject, students should be able to

- Interpret and critically appraise corporate objectives (including shareholder value, stakeholder value, value creation, investment policy and long and short-term financing).
- Analyse and evaluate the main financial management decisions of a company/organisation (including capital budgeting, investment appraisal, working capital management, and capital structure and dividend decisions).
- Appraise foreign currency risk and recommend appropriate risk management strategies.
- Appraise the relationship between risk and return and demonstrate its application to portfolio theory and the Capital Asset Pricing Model (CAPM).
- Apply, evaluate and compare common business valuation models.
- Evaluate the role of corporate planning and budgetary control as key elements in managerial finance, including the preparation and utilisation of performance measurement statements.
- Prepare and present quantitative and qualitative information for management decision making integrating analysis, argument, and commentary in a form appropriate to the intended audience.

➤ Syllabus

1. Financial Environment

- (a) Aims and objectives of profit seeking and non-profit seeking organisations
- (b) The inter-relationship between financial management, management accounting and financial accounting
- (c) Interests and influence of key stakeholder groups
- (d) Ethics and corporate governance issues in Managerial Finance.

2. Sources of Finance

- (a) Equity / debt financing and associated risks.
- (b) Short, medium and long term finance.
- (c) The nature and importance of internally generated funds.
- (d) Determinants of capital structure.
- (e) The nature and role of capital markets, - types of share capital including: rights issues, convertibles, warrants, etc.
- (f) Sources of government finance, including: grants, national aid schemes, tax incentives etc
- (g) Venture capital financing; nature, benefits and risks.
- (h) Currency Risk Management

- (i) Translation Risk
- (ii) Transaction Risk including internal hedging methods and forward market, money market and currency option hedges.

3. Investment Appraisal

- (a) Time Value of Money, present values of cash flows, use of Present Value and Annuity Tables
- (b) Identification of relevant cash flows.
- (c) Non-financial factors relevant to investment decisions.
- (d) Investment appraisal techniques including
 - (i) Net Present Value
 - (ii) Adjusted Present Value
 - (iii) Internal Rate of Return
 - (iv) Payback
- (e) Lease or buy decisions.
- (f) The effects of inflation, taxation and 2 capital rationing on the investment decision.

4. Working Capital Management

- (a) Effective working capital management strategies and corporate survival
- (b) Cash budgets /cash flow forecasts (linked to syllabus area 7 below).
- (c) The operating cycle.
- (d) Debtor and creditor management techniques including: credit evaluation, terms of credit, settlement discounts, debt collection techniques, factoring and invoice discounting
- (e) Inventory management techniques, including EOQ and JIT.
- (f) Overtrading - symptoms, causes and remedies.

5. Cost of Capital

- (a) Cost of equity, dividend growth and Capital Asset Pricing Model (CAPM). Irredeemable debt.
- (b) Cost of redeemable and WACC – Calculation, application and interpretation.
- (c) Systematic and unsystematic risk.
- (d) Portfolio diversification.
- (e) Portfolio theory and its application 2 in practical financial management.
- (f) Dividend decisions.
- (g) Calculate and interpret the risk and 2 return of a two asset portfolio.

6. Business Evaluations

(a) Methods of valuing a business, including:

- (i) Asset bases.
- (ii) Earnings bases.
- (iii) Discounted cash flow.
- (iv) Dividend yield.
- (v) Dividend growth.

7. Budgetary Planning and Control

- (a) Budgetary planning and control.
- (b) Incremental, zero-based and activity-based approaches to budget formulation.
- (c) Functional budgets, including cash flow (linked to syllabus area 4), projected statements of profit or loss and other comprehensive income and statements of financial position.
- (d) Behavioural aspects of budgeting.

8. Management Accounting in Decision Report

- (a) Variance calculation and analysis including fixed overhead capacity and efficiency variances.
- (b) Modern Management Accounting including; Activity Based Management, Total Quality Management, Balanced Scorecard.
- (c) Target costing.
- (d) Relevant costs in decision making.
- (e) Pricing decisions.
 - (i) Price / demand relationships
 - (ii) Cost plus pricing.
 - (iii) Market driven pricing.

Limiting factors (including linear programming - with two decision variables. Application of the graphical and simultaneous equation approaches).

- (f) Make or buy decisions.
- (g) Qualitative factors relevant to specific decisions
 - (i) Internal
 - (ii) H.R. / Motivational
 - (iii) External
 - (iv) Competitor Activity
 - (v) Social and environmental considerations.

- (vi) Impact on stakeholder groups including: customers, employees, investors, suppliers and society.

➤ Assessment Strategy

Examination Approach

Some questions may be entirely discursive, while others will be both discursive and computational. Skills examined will include comprehension, detailed application, analysis, evaluation, synthesis, and effective communication skills in relation to the production of reports and memoranda for internal use. Managerial Finance is a core subject, and this is reflected by the limited choice in both sections of the examination paper. Students are expected to integrate and apply learning from this and other syllabi, as appropriate.

Examination Format

The assessment is by an unseen, closed-book examination of 3 hours' 10 minutes in duration. Students are required to answer question 1,2&4 and Only part A or part B in questions 3 & 5.

Marks Allocation

Marks

Question 1	25
Question 2	20
Question 3 (Students have a choice, Part A or B must be answered)	15
Questions 4	20
Question 5 (Students have a choice, Part A or B must be answered)	20
	<u>Total 100</u>

➤ Learning Resources

Core Texts

Arnold / Corporate Financial Management 5th Edition/ Pearson 2016 / ISBN-13: 978-1292178066

Drury / Management & Cost Accounting 9th ed / (Cengage) / 2015 / ISBN-13: 9781408093931

Manuals

Griffith College CPA P1 Managerial Finance Latest edition.

Supplementary Texts and Journals

Power, Walsh and O Meara 3rd ed / Financial Management / An Irish Text, Gill & Macmillan / 2009 / ISBN-13: 978-0717145546

Anne Marie Ward 3rd ed / Theory and Practice/ ICAI 2014 / ISBN-13: 978-1908199485

Useful Websites

(as at date of publication)

www.cpaireland.ie - CPA Ireland.

www.ise.ie - The Irish Stock Exchange.

www.centralbank.ie/regulation/Pages/home.aspx - Financial Regulator.

www.cfo.com -CFO.com.

www.ifac.org/ - International Federation of Accountants.

www.ft.com - Financial Times.

www.wsj.com - The Wall Street Journal online.

www.investmentinternational.com Investment International.

www.bloomberg.com/europe - Bloomberg.

www.investopedia.com – Investopedia.